

*jd sports fashion plc*

ANNUAL REPORT AND ACCOUNTS

A photograph of four models (two men and two women) wearing sportswear, including hoodies and jackets, standing in front of a brick wall. The models are looking in various directions. The woman in the center is wearing a bright orange hoodie. The man to her right is wearing a black jacket. The woman on the far right is wearing a white jacket. The man on the far left is wearing a grey and black hoodie.

# REPORT 2020



# TIMES SQUARE



JD Sports Times Square, New York US

# OPEN SOON

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REVENUE

**£6,110.8m**

**£4,717.8m**

£3,161.4m  
£2,378.7m  
£1,821.7m



PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS\*

**£438.8m**

**£355.2m**

£307.4m  
£244.8m  
£157.1m



BASIC EARNINGS PER ORDINARY SHARE

**25.29p**

**26.90p**

28.83p  
18.38p  
10.03p



NET ASSETS

**£1,289.2m**

**£1,076.8m**

£834.3m  
£578.8m  
£499.8m

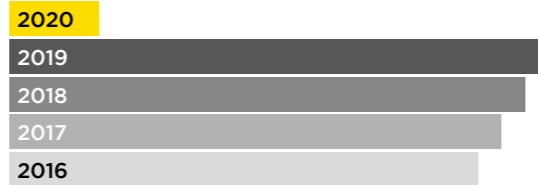


TOTAL DIVIDEND PAYABLE PER ORDINARY SHARE

**0.28p\*\***

**1.71p**

1.63p  
1.55p  
1.48p

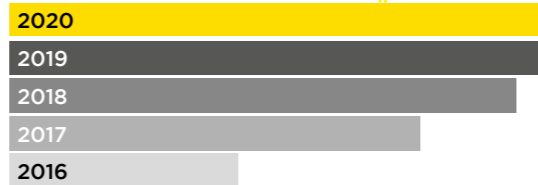


PROFIT BEFORE TAX

**£348.5m**

**£339.9m**

£294.5m  
£238.4m  
£131.6m



ADJUSTED BASIC EARNINGS PER ORDINARY SHARE\*

**34.26p**

**28.44p**

25.15p  
19.04p  
12.27p

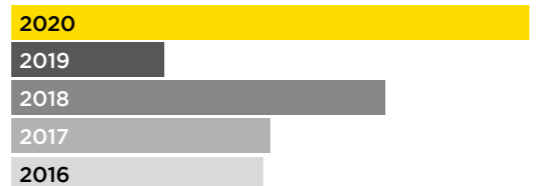


NET CASH\*

**£429.9m**

**£125.2m**

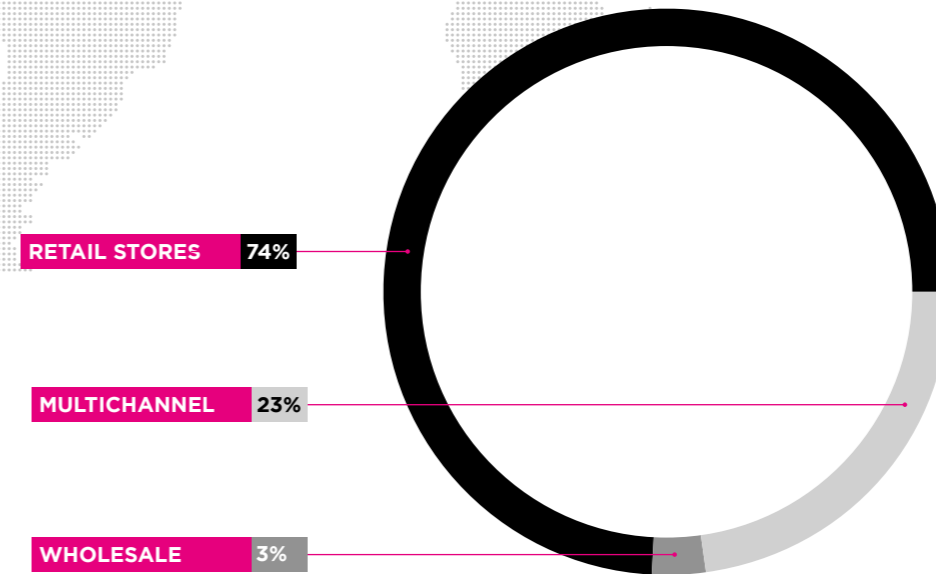
£309.7m  
£213.6m  
£209.4m



GROUP REVENUE BY GEOGRAPHICAL MARKET



GROUP REVENUE BY CHANNEL



Throughout the Annual Report "\*" indicates the first instance of a term defined and is explained in the Glossary on page 275.  
\*\* Final dividend withheld as cash was preserved due to COVID-19 outbreak.

# TIMELINE

## 1981



JD Sports began with its first store in Bury, Greater Manchester.

JD Sports opened its first store in London, on Oxford Street.

## 1989



## 1996

JD Sports Fashion Plc was listed on the London Stock Exchange.

57.5% of JD Sports Fashion Plc was bought by the Pentland Group.

## 2005



## 2012



The Group expanded into the Outdoor market with the acquisition of Blacks and Millets.

## 2011

JD Group acquired Sprinter, a leading Spanish Sport Retailer in footwear, apparel and equipment; JD's first entry into Spain.

## 2010



JD Group opened its first European JD store in Lille, France.

## 2009

JD Group acquired Chausport, a French Sport Retailer; the Group's first international presence and entry into Europe.

## 2016



The Group launched its first JD store in Malaysia, JD's first entry into South East Asia. JD is now also present in Singapore and Thailand.

The Group opened its first gym as part of JD Gyms; an affordable yet stylish gym concept.

## 2017

The Group acquired Hot-T, a South Korean retailer of branded footwear.

The Group acquired Go Outdoors, the UK "destination" for everything Outdoors.

The Group launched its first JD store in Melbourne, Australia.

## 2018



The Group acquired Finish Line in the United States, a Sport Fashion Retailer with a store presence across 44 states. The Group opened its first five JD stores in the US: Chicago, Houston, Columbus, Washington and Indianapolis.

## 2019

"JD Sports Fashion Plc was promoted into the FTSE100 list for the first time on 24 June 2019. This is a very notable landmark for the Group which could not have been achieved without the commitment of all of our colleagues."

**Peter Cowgill**



**Established in 1981 with a single store in the North West of England, JD Sports Fashion Plc is a leading international multichannel retailer of sports, fashion and outdoor brands.**

### JD SPORTS

JD is a sports fashion, multichannel retailer of branded sports and casual wear, combining globally recognised brands such as Nike, adidas, Puma and The North Face, with strong own brand labels such as Pink Soda and Supply & Demand to provide an elevated consumer experience. JD is an industry leading retail business which combines the best of physical and digital retail to give a compelling consumer proposition which enables its customers to shop seamlessly across all channels.

**781 STORES**

**19 TERRITORIES ACROSS THE GLOBE**

# UNRIVALLED



## SIZE?

Established in 2000, Size? specialises in supplying the finest products from the best brands in footwear, apparel and accessories. Initially set up to trial edgier product collections before introducing them to the mass market through the JD fascia, the Size? offer has since grown to include its own roster of highly sought-after worldwide exclusive product releases. Outside of the UK and Republic of Ireland, Size? has stores in Belgium, Denmark, France, Germany, Italy, the Netherlands and Spain.

# 37 STORES

size?



## FOOTPATROL

# 2 STORES

Footpatrol is famous for supplying the sneaker fraternity with the most desirable footwear, apparel and accessories. Specialising in new and classic sneakers, limited editions, Japanese exclusives and rare deadstock. The original Footpatrol store is based in the heart of Soho on Berwick Street which is complemented with a second store on the fashionable Rue de Temple in Paris. Footpatrol also has dedicated local language sites for seven other countries including the Netherlands and Germany.

FOOTPATROL



# UNIQUE AND EXCLUSIVE



## CHAUSPORT

Chausport operates throughout France retailing leading international footwear brands such as Adidas, Nike and Timberland to a more family focussed customer through a network of 67 stores and a trading website.

# 67 STORES IN FRANCE

## SPRINTER

Sprinter is one of the leading sports retailers in Spain selling footwear, apparel, accessories and equipment for a wide range of sports as well as lifestyle casual wear and childrenswear. Their offer includes both international sports brands and successful own brands.

# 156 STORES

chausport,

# LEADING

Sprinter



# FAMILY



## SPORT ZONE

Sport Zone is a well-established and leading multibranded sports retailer offering a wide apparel, footwear, accessories and equipment range across multiple sports. The stores in Spain and the Canary Islands now trade under the Sprinter banner with Sport Zone now focussed in Portugal.

## SPORT ZONE

# 108 STORES

## PERRY SPORT AND AKTIESPORT

# 96 STORES

Sports Unlimited Retail operates in the Netherlands under the Perry Sport and Aktiesport fascias. Aktiesport is the largest sports retail business in the Netherlands with a sharp focus on selling football and lifestyle goods from various brands such as Nike, Adidas, Under Armour and FILA. Perry Sport is a sports and adventure retailer with a focus on functional sports, sports lifestyle and adventure simultaneously.



# LIFE

# STYLE



# ESTABLISHED

## FINISH LINE

Finish Line is one of the largest retailers of premium, multibranded athletic footwear, apparel and accessories in the United States. Finish Line trades from over 500 branded retail stores in more than 40 US states and Puerto Rico and is also the exclusive partner of athletic shoes for Macy's.

# 508 STORES

## JD GYMS

JD Gyms offers seriously stylish, seriously affordable, award winning facilities across 30 prime locations and plays host to a bespoke mix of industry leading fitness equipment and an exciting range of fitness classes.

# 30 LOCATIONS

# SERIOUS

**FINISH LINE**

**JD [GYMS]**



# STYLE

## TESSUTI

Tessuti is a leading retailer of high fashion, aspirational brands catering to both Men and Women. Tessuti offers its consumers a unique shopping experience through its website and concept stores and is a consumer destination for luxury and desirable high fashion items, ranging from footwear and accessories to apparel. Tessuti stocks brands such as Hugo Boss, Polo Ralph Lauren, Parajumpers and Stone Island.

# 39 STORES



## TESSUTI



## SCOTTS

Scotts retails fashion and sport led brands with authority to older, more affluent male consumers largely beyond school age, stocking brands such as Lacoste, Fred Perry, Pretty Green and Paul & Shark.

# 22 STORES

## scotts



# HIGH FASHION



## MAINLINE

Mainline Menswear is an online niche retailer of premium branded men's apparel and footwear, stocking brands such as Armani, Hugo Boss and Ralph Lauren.



## MAINLINE



## BLACKS

Blacks is a long established retailer of specialist outdoor apparel, footwear and equipment. Blacks primarily stock more technical products from premium brands such as Berghaus and The North Face helping Outdoor participants, from weekend family users to more avid explorers, reach their goals, no matter how high.

# 57 STORES



# OUTDOOR DOORS PREMIUM



## MILLETS

Millets supply a more casual outdoor customer who seeks value for money, providing for a wide range of recreational activities with an emphasis on exclusive brands, such as Peter Storm and Eurohike.

# 97 STORES



## GO OUTDOORS

GO focuses on innovation and value, helping people to step into the outdoors whether it's to go walking, camping, cycling or fishing. From unique product areas to strong exclusive brands such as Hi-Gear, North Ridge and Freedom Trail, GO is constantly looking for fresh ideas to keep things fun.

# 67 STORES



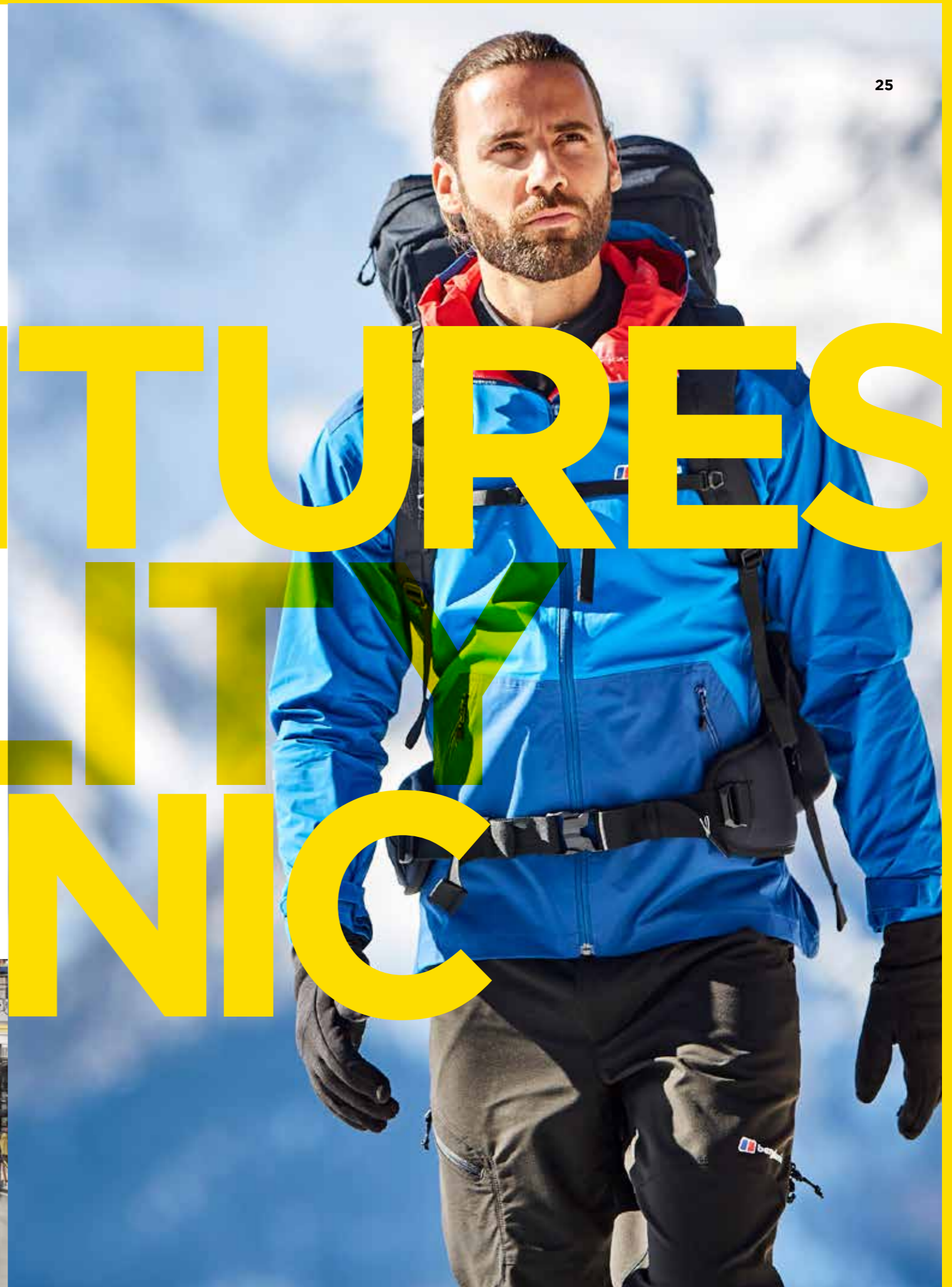
# INSPIRING IDEAS



## TISO

Tiso is Scotland's leading adventure sports retailer specialising in outdoor, mountain, skiing and cycling. Originally founded in 1962, their reputation for quality has been established over 57 years. The Tiso group is based in Scotland, but includes the iconic George Fisher store in the English Lake District.

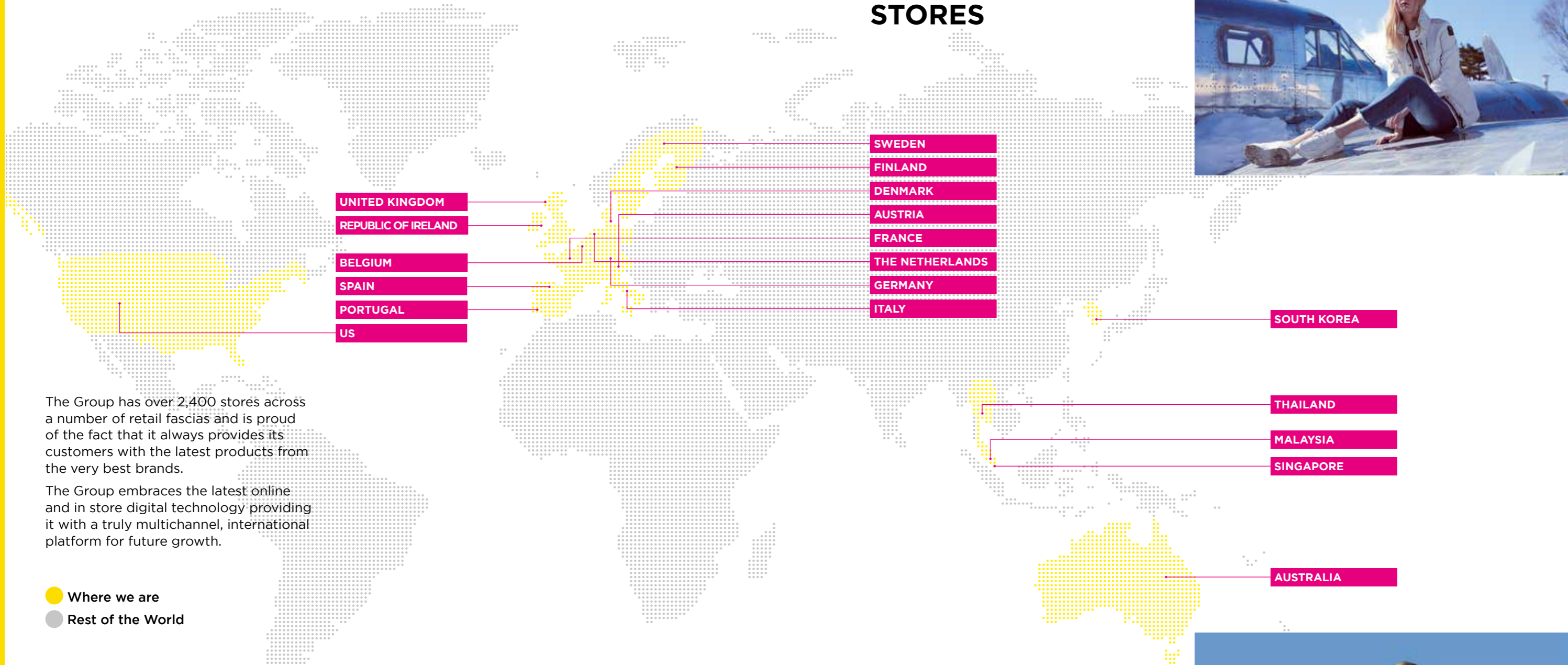
# 13 STORES



# ADVENTURES QUALITY ICONIC

# FROM THE NORTH WEST OF ENGLAND TO THE WEST COAST OF THE US

# OVER 2,400 STORES



The Group has over 2,400 stores across a number of retail fascias and is proud of the fact that it always provides its customers with the latest products from the very best brands.

The Group embraces the latest online and in store digital technology providing it with a truly multichannel, international platform for future growth.

- Where we are
- Rest of the World

# GLOBAL





## SPORTS FASHION FASCIAS

JD UK AND ROI	STORES	000 SQ FT
2020	402	1,649
2019	390	1,583

JD EUROPE	STORES	000 SQ FT
2020	304	838
2019	252	661

JD ASIA PACIFIC	STORES	000 SQ FT
2020	64	268
2019	46	201

JD US	STORES	000 SQ FT
2020	11	47
2019	5	22

SIZE	STORES	000 SQ FT
2020	37	54
2019	41	59

SUB-TOTAL JD AND SIZE	STORES	000 SQ FT
2020	818	2,855
2019	734	2,526

FASHION UK	STORES	000 SQ FT
2020	153	494
2019	84	250

OTHER EUROPE <sup>(i)</sup>	STORES	000 SQ FT
2020	427	2,825
2019	438	2,869

(i) Chausport (France), Sprinter (Spain), Sport Zone (Portugal, Spain & Canary Islands) and Perry Sport / Aktiesport (Netherlands)  
 (ii) Hot-T (South Korea) and Glue (Australia) – disposal of Glue business completed 9 August 2019  
 (iii) Being Finish Line branded concessions within Macy's department stores only

OTHER ASIA PACIFIC <sup>(ii)</sup>	STORES	000 SQ FT
2020	2	8
2019	33	156

FINISH LINE (OWN)	STORES	000 SQ FT
2020	508	1,722
2019	529	1,797

FINISH LINE (MACY'S <sup>(iii)</sup> )	STORES	000 SQ FT
2020	295	286
2019	349	311

TOTAL	STORES	000 SQ FT
2020	2,203	8,190
2019	2,167	7,909

## 30 JD BRANDED GYMS\*



\* AT THE PERIOD END AFTER SEVEN OPENINGS IN THE YEAR.

## OUTDOOR FASCIAS

BLACKS	STORES	000 SQ FT
2020	57	204
2019	56	198

MILLETS	STORES	000 SQ FT
2020	97	203
2019	99	209

ULTIMATE OUTDOORS	STORES	000 SQ FT
2020	6	146
2019	6	146

TISO	STORES	000 SQ FT
2020	13	93
2019	14	96

GO OUTDOORS	STORES	000 SQ FT
2020	67	1,945
2019	64	1,904

GO OUTDOORS FISHING	STORES	000 SQ FT
2020	5	22
2019	14	79

TOTAL	STORES	000 SQ FT
2020	245	2,613
2019	253	2,632



## EXECUTIVE CHAIRMAN'S STATEMENT

### GROUP DEVELOPMENTS AND PROGRESS

#### INTRODUCTION

Whilst COVID-19 has constrained our short term progress, it is important that we do not lose sight of the core retail standards and commercial disciplines which have underpinned our longer term growth to date. JD has a market leading multi-channel proposition which maximises its consumer relevance and reach by creating and then maintaining a deep emotional connection with its consumers who see JD as an authoritative and trustworthy source of style and fashion inspiration with influences drawn from both sport and music.

This proposition remains extremely robust and, in that regard, I am pleased to report that it was another year of significant progress for the Group with global revenues increasing by 30% to £6,110.8 million (2019: £4,717.8 million) and the headline profit before tax and exceptional items increasing by a further 24% to £438.8 million (2019: £355.2 million). This represented another record result for the Group.

This result also reflects the application of IFRS 16 'Leases' for the first time. The Group has adopted the modified retrospective transition approach to this new accounting standard with the result to 2 February 2019, which reflected the application of IAS 17 'Leases', not requiring restatement. On a consistent accounting basis, the proforma headline profit before tax and exceptional items to 1 February 2020 under IAS 17 'Leases' would have been £465.6 million being £110.4 million higher than last year and £26.8 million higher than that reported under IFRS 16 'Leases'.

A major driver in the improved result is the inclusion, for the first time, of a full year contribution from the combined Finish Line and JD businesses in the United States. We are pleased with our progress here with these businesses delivering an operating

profit of £94.2 million (£97.9 million on a proforma basis under IAS 17 'Leases') (2019: £26.6 million for the 33 week period post acquisition).

#### JD (UK AND REPUBLIC OF IRELAND)

In normal market conditions, consumer demand for the JD proposition in our core markets remained very strong with the total like for like sales growth of more than 10% which we reported for the first half continuing through the rest of the year. This was a good performance given the well-publicised multiple retail challenges in the UK even before the COVID-19 outbreak and the tough comparatives from our growth over a number of years.

We have always believed that the retail estate for JD in the UK and Republic of Ireland provides positive benefits in terms of brand awareness, the customer's desire to see, handle and try the product, and our ability to provide convenience through multiple delivery points. However, given the

# 30% INCREASE IN GLOBAL REVENUES

clear uncertainty on future levels of footfall, particularly if social distancing remains an ongoing requirement, it is inevitable that maintaining a large nationwide physical retail presence will require greater flexibility in property leases.

#### JD (INTERNATIONAL)

The JD fascia made further significant progress in its international markets with a net increase of 76 stores in the year:

- **Europe:** JD enjoyed another year of double digit growth in like for like sales, both in stores and online, complemented

by a net increase of 52 stores with new stores in most of our existing territories together with our first JD store in Austria meaning that JD now has a presence in 11 countries across Europe.

Our previously stated ambition of opening one store on average per week across Europe reflected a world before the COVID-19 outbreak. With restricted movement and activity across the majority of the territories, the fit-out programme was largely halted for a number of weeks. Footfall has been subdued in many countries in Europe after re-opening and, whilst this has partially been mitigated by improved conversion, we have decided to delay a number of projects that were planned for this year whilst we assess the post re-opening performance. It is also entirely feasible that some projects may not proceed under the current lease terms. Consequently, we expect that the number of openings this year will be significantly reduced. However, it is still our intention to open a flagship style store on the key street of Rue de Rivoli in the centre of Paris later in the summer.

- **Asia Pacific:** There was a net increase of 18 stores in the period with additional stores in all of our territories. We are particularly encouraged by further positive developments in Australia where, after opening our first JD store in April 2017, we are now firmly established with 24 stores and a full operational infrastructure. The Glue business, which we acquired in 2016, no longer provided any strategic benefit to the ongoing development of JD and was disposed of during the year. Elsewhere, there was another positive performance in Malaysia and we have doubled our presence in both Singapore and Thailand with four stores now trading in each country. In South Korea, we have increased our store base from 16 stores to 19 stores.
- **North America:** At the end of the year the JD presence in the United States had increased to 11 stores with one new store at Lincolnwood (Chicago) complemented by the conversion of a further five

existing Finish Line stores. Two of the conversions, Mall of America (Minnesota) and Deerbrook Mall (Houston) were 'full' conversions with the installation of the full JD retail systems across all product categories. The remaining three stores, Mall of Georgia (Atlanta), Cumberland Mall (Atlanta) and Roosevelt Field (New York) were 'lite' conversions with the installation of fixtures for apparel and changes to the signage with the existing Finish Line footwear systems largely retained. These 'lite' conversions, which require less non-trading time and can be delivered with substantially less capital investment, provide a more flexible framework to develop JD and are appropriate to the current trading environment.

We have a clear vision to develop JD in the major metropolitan markets with more than 70 additional existing Finish Line stores considered as being suitable for conversion to JD of which six have already been converted in the year to date in the 'lite' style. It is our current intention that the majority of the remainder will be converted over the next two years although the exact timings for these works will need to be flexed according to the specific factors and any ongoing restrictions at each location. At the instruction of the local authorities and as a consequence of COVID-19, we also had to pause work on the fit out of our flagship store in Times Square, New York. We have now been able to re-commence on site and would currently expect this store to be open by the end of the summer. This store will be an important milestone in our development significantly enhancing our presence and standing with both consumers and our brand partners in the United States.

After the period end, we completed the acquisition of Onepointfive Ventures Limited in Canada which consists of four stores trading as Livestock and a website trading as Deadstock. Based in Vancouver, this business and its management team will provide the platform to develop JD in Canada.

**OTHER FASCIAS**

Away from JD, there were positive developments in our other Sports Fashion businesses in the year:

- **Sprinter & Sport Zone (Iberia):** The process to integrate the Sport Zone businesses in Portugal and the Canary Islands into the Sprinter operational infrastructure and to trade through the excess and disjointed stock from our acquisition has now completed. The Sport Zone stores in the Canary Islands have been converted to the Sprinter banner although we will retain the Sport Zone name in Portugal where there is considerable customer goodwill. Whilst Iberia, and particularly Spain, has been one of the regions most impacted by the COVID-19 outbreak, we firmly believe that our combined Sprinter and Sport Zone proposition, which has a greater emphasis on active sport participation and fitness, are emerging in a robust position with their operations already structured appropriately for the future.
- **Finish Line (United States):** We believe that the Finish Line fascia appeals to a different core demographic to JD and so we will need both banners longer term if we are to have flexibility in our consumer reach and appeal. Finish Line is an important fascia in our Group and we are pleased with the developments in its first

full year as a subsidiary and the progress against the key commercial pillars which we identified previously as providing the foundation for a sustained improvement in the performance over the longer term:

**1 Improving sales densities:** Prior to our acquisition, sales of apparel represented approximately 5% of total sales. We believe there is an opportunity to increase this both in stores and online although some investment is needed in additional relevant fixtures and in-store marketing to ensure that the apparel offer is presented with authority. This investment is ongoing with seven stores given a full refurbishment in the year to Finish Line's 'Store of Now' concept and a further 60 stores refurbished in a 'lite' style with the installation of relevant additional fixtures. Work on further refurbishments was paused as a result of the COVID-19 outbreak although these will recommence in due course. We are encouraged by the early trends on footfall in the United States in the immediate period after re-opening with consumers seemingly more confident to return to malls than in Europe.

**2 Improving product margins:** We continue to make progress on managing markdown and improving buying disciplines with product margins across the combined stand-alone stores and Macy's concessions increasing by 0.7% compared to the proforma equivalent 52-week period in the prior year.

**3 Exiting underperforming stores:** In addition to converting five former Finish Line stores to JD, we also exited 17 underperforming Finish Line stores in the year as we continued the process of rightsizing the retail estate. The store portfolio is under constant review with decisions on the future strategy of each store made on a case by case basis taking into account a number of factors including the cost of the property, occupancy rate in the specific mall and trends on both sales and footfall. There was also a further reduction in the number of Macy's branded concessions with a net decrease

of 54 branded concessions in the year. This includes a number of locations which were a consequence of the closure of the Macy's host store.

Elsewhere, we continue to be encouraged by the positive developments in our Premium Fashion and Gyms businesses. At the end of the period, we had 30 gyms across the UK with a membership base of approximately 158,000 members.

**FOOTASYLUM**

In April 2019 we acquired the Footasylum business for cash consideration of £86.0 million with the Group also assuming net debt of approximately £7.8 million. At acquisition, Footasylum had 69 stores across the UK complemented by a well-regarded trading website.

This transaction was reviewed by the Competition and Markets Authority ('CMA') which announced in its Final Report on 6 May 2020 that it had decided to prohibit the merger and that, consequently, the Group would be required to fully divest its investment. The Group fundamentally disagrees with the conclusion reached by the CMA, as it fails to take proper account of the dynamic and rapidly evolving competitive landscape in which the Group operates, which has changed materially in the period since the acquisition was completed.

We are currently in negotiations with the CMA as to how the divestment process will be conducted and monitored. Further, having considered the CMA's decision carefully we firmly believe that we are justified in making an application for Judicial Review to the Competition Appeal Tribunal. This procedure will run in parallel with the CMA's divestment process. In the meantime, we continue to observe the

CMA's ongoing enforcement order which obliges us to operate the Footasylum business separately.

**OUTDOOR**

This has been a challenging period for our Outdoor businesses overall with an improved result in the Blacks and Tiso businesses overshadowed by a significant loss in the larger Go Outdoors business. This business underwent significant change in the period with the transition of store fulfilment to a central warehouse model in the first half of the year and then the closure, later in the year, of its principal office in Sheffield. Both of these actions were more disruptive to the operations of the business in the year than anticipated.

We believed that we had substantially resolved these operational issues by the end of the financial year and that Go Outdoors was then more appropriately structured operationally. However, the onset of COVID-19 has added a new material challenge to trading as the business is more sensitive to reductions in footfall compared to other Outdoor fascias in the Group, with a disproportionate reliance on physical store sales which, historically, have represented more than 90% of total revenues. Unfortunately, as has been widely reported, reduced consumer confidence and the requirement to maintain social distancing in stores have resulted in levels of footfall not returning to pre-lockdown levels.

The current trading risk then brings into sharper focus the operating costs of the business, in particular the inflexible terms of the property leases in Go Outdoors. The stores have an average remaining period to lease expiry of approximately 10 years with upwards only rent reviews, many of which are fixed at rates above inflation regardless of the market rent in the location, combined with onerous requirements to correct historic property dilapidations.

Given the potential for Go Outdoors to remain loss making for the foreseeable future, the Group considered a number of alternative strategic options which included



# 108

## NEW STORES

engaging advisers in May 2020 to market the business to a number of parties. In the absence of a suitable offer, the Board decided that it was not in the best interests of the wider Group, and its shareholders, to provide continued financial support to Go Outdoors in its existing form and so Go Outdoors entered into administration on 23 June 2020.

The Group then reacquired the trade and assets for a cash consideration of £56.5 million which returns to the Group as partial repayment against its historic indebtedness, a transaction approved in advance by the independent Pre Pack Pool, and now occupies the stores under licence from the Administrator. The Group continues to determine an appropriate store base for the longer term and has already commenced negotiations with landlords for new leases with terms which are structured more appropriately. The Group believes that the approach it has taken has delivered the best result for creditors, with the Group committing to honouring liabilities with regards to branded stock suppliers, employees, HMRC taxation liabilities, customer returns and historic gift card sales. Further, all pre-existing Go Outdoors employees have transferred across to the new business with their previous terms and conditions of employment preserved.

We believe that the restructuring of Go Outdoors will correct fundamental historic structural weaknesses in the business and, whilst we regret that there will inevitably be some store closures in future months, we are pleased that it will protect the maximum number of jobs possible. A greater future integration of the Outdoor businesses, with Blacks and Go Outdoors having access to common merchandising systems and shared commercial resources will provide a robust, effective and cost efficient platform for longer term developments.

#### SUPPLY CHAIN DEVELOPMENTS

The 352,000 sqft extension to our Kingsway facility in Rochdale was commissioned in Autumn 2019. We initially only picked a

limited quantity of product from the new automation equipment through the autumn and winter peak season to allow the new system and processes to stabilise. The intention then was for the volumes picked through this new extension to accelerate from the New Year thereby reducing the pressure on our legacy automation equipment where picking capacity has consistently been constrained at lower levels than was originally expected.

With the onset of COVID-19, and the requirement for social distancing, we have had to reduce the maximum number of people that we can have on site at Kingsway at any one time. While these restrictions have started to be relaxed, we need to mitigate the risk of these measures being tightened again which could constrain our operation through the peak trading period later in the year. Accordingly, there is an ongoing programme of modifications to ensure that we can continue to operate safely and effectively in this situation. These include making a number of structural improvements to remove bottlenecks in the operation, including the provision of additional communal welfare facilities. We are also introducing additional shift patterns to reduce the number of people entering / exiting the site at any time.

Elsewhere, we have also now opened an 80,000 sqft warehouse in Belgium which, with mezzanines, has an internal footprint of approximately 280,000 sqft. This site, which has now started to receive stocks and is fulfilling product to some European stores, will provide us with a number of learnings which we can use to shape our longer term European supply chain strategy. In addition, it will also help us mitigate some of the potential additional duty costs which may arise from January 2021 if we exit the current transition period with the EU without an appropriate trade agreement.

#### BREXIT

The UK has now left the EU and is in a transition period to 31 December 2020. At this stage, the exact nature of the UK's

future relationship with the EU beyond the end of this transition period is uncertain and so we remain cognisant of the potential adverse consequences on supply chains, tariffs, exchange rates and consumer demand.

The new warehouse in Belgium which has now started to receive stocks and is fulfilling deliveries to some European stores will help us mitigate some of the potential additional duty costs which may arise from January 2021 if the UK exits the current transition period with the EU without an appropriate trade agreement. It will also provide us with a number of learnings which we can use to shape our longer term European supply chain strategy.

#### PEOPLE

The commitment of colleagues at all levels has been crucial in our increasingly global development and I would like to thank everyone in our businesses for their contribution in delivering another set of excellent results. Our colleagues now face a different challenge and I can assure them that the safety of them, and our consumers, will always be our number one priority. I look forward to the point when the situation normalises and we are able to resume our progression giving our colleagues the opportunities to develop their individual careers and achieve their personal ambitions.

On behalf of the Board, I would also like to thank the Senior Management team in the Group who have joined us in accepting ongoing voluntary salary reductions of at least 25%. The payment of bonuses and other contractual incentive payments, due or arising in respect of individual and Group performance in the year ended 1 February

2020, have also been deferred. It is the intention of the Board and Remuneration Committee that these will be paid at some point with the timing of these payments reflecting the evidence of our actual post re-opening performance and the projected cashflows of the Group.

The Group is absolutely committed to promoting policies which ensure that colleagues and customers are treated equally regardless of ethnic or social origin, race, gender, sexual orientation, disability or age. The tragic death of George Floyd has affected us all and we strongly agree that #blacklivesmatter. We acknowledge the urgent need for change to eradicate not just racism but all forms of discrimination in



society and we recognise that, as a global business, we have a responsibility to play a full part in this process. We will collaborate with our teams around the world to achieve this objective.

#### IMPACT OF COVID-19

We suffered our first full country closure on 11 March 2020 when we closed all of our stores in Italy. Over the subsequent two weeks we then closed all of our stores in a further 13 countries including the United

States where all our stores were closed by 20 March 2020 and the UK, where all our stores were closed by 23 March 2020. Across these 14 countries, this represented a closure of approximately 98% of the Group's total physical store estate.

Our trading websites continued to accept and fulfil orders in most of these territories in the closure period which was important, as not only did it enable us to continue to turn stock and generate cash, but it also ensured that we retained engagement and relevance with consumers. Not surprisingly, we saw a very strong performance online in the store closure period and, while these levels of growth may reduce with time, it is perhaps inevitable that there will be some level of permanent transfer from physical retail to online as a consequence of COVID-19. To accommodate this possibility, we have now invested further in our principal warehouse at Kingsway, Rochdale, giving us the flexibility in our operational infrastructure to deal with the additional volumes online effectively and efficiently.

Whilst the majority of stores have now reopened, it is very clear that footfall in stores will remain uncertain for the foreseeable future. Social distancing measures have a disproportionate effect in smaller space, particularly for fascias like JD which attract high levels of footfall over concentrated periods of time such as weekends and school holidays. This concentration of footfall has historically been most evident in major malls and city centres and it is these locations which are likely to see the biggest impact relative to historical levels if social distancing measures continue to operate in some form, particularly through the peak period later in the year. However, in terms of our core UK market, a significant nationwide presence in both High Streets and Out of Town Retail Parks does provide consumers with an alternative location if they wish to avoid enclosed spaces. Recognising that rents effectively buy footfall, we will continue to push for greater correlation

between levels of footfall and rents payable across our physical retail estate.

#### CURRENT TRADING AND OUTLOOK

Only a relatively short period of time has elapsed since the reopening of stores in our core market. This, combined with the continued uncertainty around the recovery of footfall and the application of social distancing measures across many of our territories, means that it is too early to extrapolate this performance and give meaningful guidance for profits in the current year. However, we were encouraged by the continued positive trading in the early weeks of the year prior to the emergence of COVID-19 and we firmly believe that we are well placed to regain our previous momentum.

We are confident that JD's premium multi-brand proposition retains its consumer appeal. We continually challenge ourselves to advance this proposition and transform all aspects of the customer journey through innovation in consumer awareness, engagement and retail theatre; an evolving and often exclusive premium brand selection which is underpinned by authenticity; and investment in new technologies in stores, online and within our operational infrastructure. By maintaining these standards and principles, we are confident that we will have the right foundations for future positive developments.

Looking longer term, there is inevitably considerable uncertainty as to what the effect of COVID-19 will be on consumer behaviour and footfall with future store investments highly dependent on rental realism and lease flexibility. Ultimately, however, we remain confident that we have a market leading multi-channel proposition which has the necessary flexibility and agility to prosper within a retail environment that may see profound and permanent structural change.

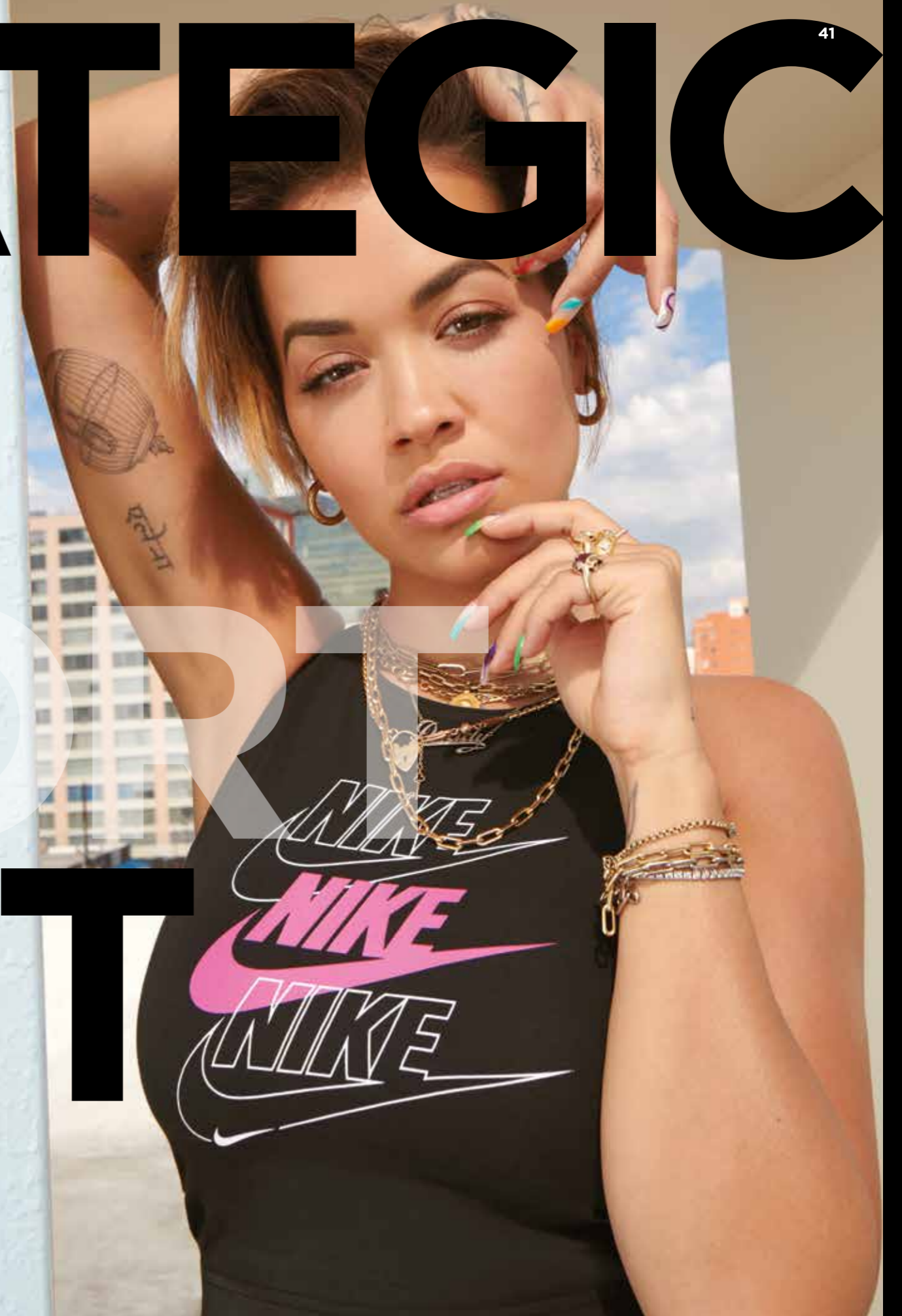
Our next scheduled update will take place upon the announcement of our Interim Results which are scheduled for 8 September 2020.

**Peter Cowgill**  
Executive Chairman  
7 July 2020

# CHALLENGES



# STRATEGIC



# REPORT

19 COUNTRIES

2,448 STORES

The Group's principal JD fascia is widely recognised as the leading retailer of branded and own brand sports fashion apparel and footwear in the UK and Ireland.

53,477 COLLEAGUES

KEY INPUTS



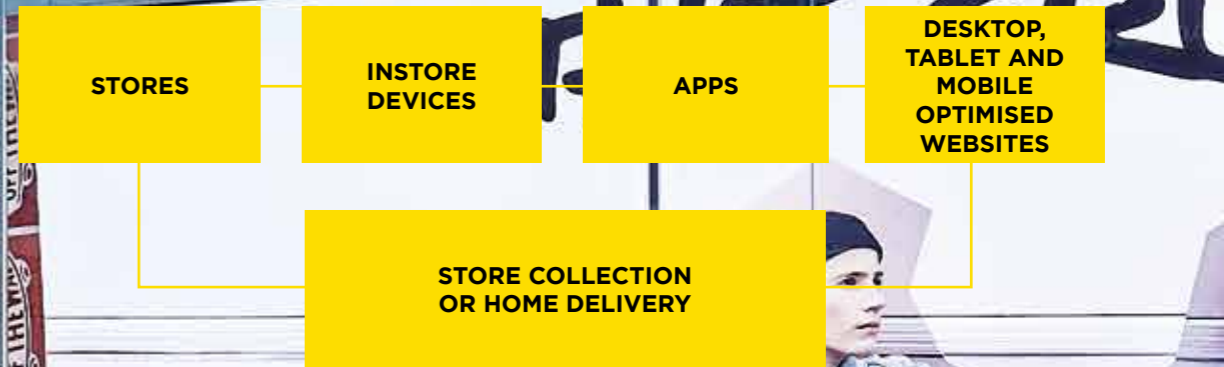
# ACTIVITIES

## KEY COMMERCIAL ACTIVITIES



- Providing customers with exclusive ranges from the best brands in sports fashion and outdoor.
- Market leading online and in-store technology.
- World class standards.

## REVENUE CHANNELS





**GLOBAL EXPANSION**

The Group's principal JD fascia has been widely recognised for a number of years as the leading retailer of branded and own brand sports fashion apparel and footwear in the UK and Ireland. Increasingly, the JD fascia is attracting a similar reputation internationally with further significant expansion in mainland Europe in particular where we now have more than 300 stores across 11 countries, including the first stores in Austria. There has also been further expansion in the Asia Pacific region, particularly Australia. The development of JD in the United States is also now starting to gain momentum with a further six stores opened in the year. This includes the conversion of five former Finish Line stores and, notwithstanding the operating restrictions caused by COVID-19, it remains our intention to convert at least a further 20 stores to JD in the year to January 2021.

Extending the global reach of our JD fascia is viewed positively by the international brands, both existing and new, and we look to leverage that positive regard for our proposition by negotiating enhanced access to new and often exclusive products, further increasing the differentiation in our offer.

**MARKET POSITION**

We ensure that the JD retail fascia retains its dynamic appeal and forges deeper connection with its consumers through the continual investment in our physical store portfolio, digital platforms and creative marketing. We continually look to further elevate the market position of the JD fascia and enhance the experience for the customer through the constant nurturing of global branded supplier relationships, existing and new, which we can develop and exploit to ensure our overall product range remains both authentic and uniquely appealing with our stores being highly differentiated destinations.

Our core business strength is branded sports fashion and outdoor retail presented in an omnichannel environment. Where we use own brands we will seek to present them as complementary to third party brands giving us additional options in ranging and price architecture. We seek to build very strong market positions and we look to maintain these through a continuous and intensely analytical approach to understanding business performance. We update our brand line up regularly, endeavouring to be the partner of choice to as many brands as possible with as much exclusive product as possible. The Board considers that continuing supply from Nike and Adidas, being the main suppliers of third party branded sporting products, to the Group's core sports fashion retail operation is essential to the business of the Group.

We look to protect profitability by continuing our rigorous approach to margin protection and, whilst we will promote product where appropriate, we aim to avoid short term reactive discounting unnecessarily when our proposition is well differentiated.

**STORE PORTFOLIO**

We are engaged in omnichannel retail with the retail estate being essential to brand and product awareness, the customers' overall digital experience and our ability to provide multiple delivery points. We believe that the combination of a largely exclusive product offering, presented in a well fitted store with world class standards of retail theatre, are major drivers of footfall to our stores.

Considerable time and financial resources are invested in expanding and refurbishing our retail property portfolio although we continue to work with landlords on ensuring that our portfolio of leases has the maximum flexibility and the lowest committed cost possible. The movements in store numbers and square footage at the start and end of the period are documented in the 'Where We Are' section on page 26.

**MULTICHANNEL**

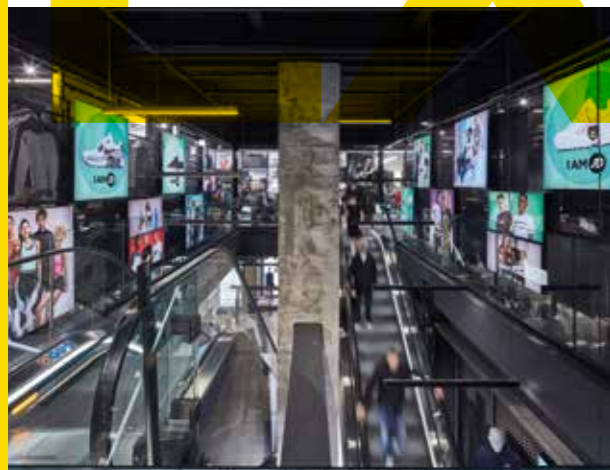
The continuing international growth in physical store space is complemented by ongoing investment in our international multichannel capability through a significant multicurrency and multilanguage website estate. We utilise our digital platforms to maximise our reach and impact to consumers at a domestic and international level with consumers able to shop seamlessly across all channels. We believe this multichannel capability is a key differentiator for our business.

Our digital and social media channels are important destinations for our customers with in store digital devices (kiosk, web till and iPad) also giving customers additional options to purchase in store as they enable access to the full product range on the website and the full inventory held in the warehouse. We have also recently extended our multichannel capabilities with the launch of 'Pick From Store' enabling online customers to have access to stock which may be in stores.

The penetration of online sales as a proportion of total sales in a business varies depending on a number of factors including customer demographics, geographical reach, technological capability and relative maturity of the website. We see the greatest penetrations in our specialist Size? business, which has a significant international following, and Finish Line, which distributes product across the whole geography of the United States and also has 'Pick from Store' capabilities. In terms of our core JD fascia then online sales represented 22% (2019: 18%) of total fascia sales in the core markets of the UK and Republic of Ireland (excluding kiosk sales) and 15% (2019: 13%) in Europe, where our online operations are less mature.

**BREXIT**

The UK has now left the EU and is in a transition period to 31 December 2020. At this stage, the exact nature of the UK's future relationship with the EU beyond the end of this transition period is uncertain. The key direct and indirect risks associated with the range of outcomes at the end of this transition period along with the mitigating activities that have been, or will be implemented, by the Group are detailed further in the Principal Risks section on page 65. Detailed analysis and stress testing has been undertaken to assess the potential impact of the key risks and the results of this testing are outlined further in the Viability Statement section on page 69.



**INVESTMENT IN NEW BUSINESSES**

Any new business which we invest in will have relevance to our core strength and all businesses in the Group need to be capable of enhanced profitability in the medium term. Our ultimate objective is to deliver long term sustainable earnings growth to enhance total shareholder returns ('TSR') through share price performance and dividends, whilst retaining our financial capability to invest in the growth and the sustainability of our propositions. Recent TSR performance is shown in the graph within the Remuneration Report on page 154.

**INFRASTRUCTURE AND RESOURCES**

Details of the significant investments we continue to make in logistics are included in the Executive Chairman's Statement on page 37 and the Working Capital and Cash section of the Financial Review on page 73.

	52 week period ended 1 February 2020	52 week period ended 2 February 2019
	m	m
Number of items processed by Kingsway Distribution Centre	94.83	85.50



**CORPORATE AND SOCIAL RESPONSIBILITY**

In working towards our objectives we aim to act always in a responsible and ethical manner with all our stakeholders including suppliers, employees and, of course, our customers.

The corporate and social responsibility section on pages 80 to 108 provides information on the Group's strategy with

regards to a number of topics including; Our People, Health & Safety, Energy & the Environment and Ethical Sourcing.

The risks faced by the Group and our mitigation plans are reported separately on pages 48 to 69.

**FINANCIAL KEY PERFORMANCE INDICATORS**

	Note	2020 £m	2019 £m	Change %
Revenue		6,110.8	4,717.8	29.5%
Gross profit %		47.0%	47.5%	
Operating profit		426.6	346.2	23.2%
Operating profit (before exceptional items)*		516.9	361.5	43.0%
Profit before tax and exceptional items		438.8	355.2	23.5%
Profit before tax		348.5	339.9	2.5%
Basic earnings per ordinary share		25.29p	26.90p	
Adjusted earnings per ordinary share	10	34.26p	28.44p	
Total dividend payable per ordinary share		0.28p	1.71p	
Net cash at end of period	29	429.9	125.2	

On behalf of the Board

**Peter Cowgill**  
Executive Chairman  
7 July 2020

# INVESTMENT

**ASSESSMENT OF PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors confirm that they have carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risk areas remain the same as reported last year apart from COVID-19 as detailed below, and are described below along with explanations of how they are managed/mitigated.

**COVID-19**

A detailed summary of our impact assessment on the risks that the coronavirus pandemic poses to the business, together with potential mitigating actions to conserve cash, is included in the Chief Executive's Review.

**SUPPLY CHAIN RISKS**

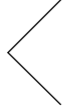

As with other retailers and distributors into retail businesses, the Group's core retail business is highly seasonal and the most important trading period in terms of sales, profitability and cash flow in its Sports Fashion fascias continues to be the Christmas season. Lower than expected performance in this period may have an adverse impact on results for the full year and may result in excess inventories that are difficult to liquidate. The Group seeks to manage this risk by monitoring the stock levels and managing the peaks in demand constantly with regular sales reforecasting. As the Group continues to grow and expand, the seasonal peak at Christmas becomes further exaggerated necessitating even greater flexibility in the Group's warehouse and distribution network. Consequently, the risk to store replenishment and multichannel fulfilment from both equipment and system failure, together with the inherent risk of having all the stock in one location increases.

The supply chain risks and uncertainties that are specific to the Group and the markets in which its businesses operate are as follows:



RISK

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>KEY SUPPLIERS AND BRANDS</b></p> <p>The retail fascias offer a proposition that contains a mixture of third party and own brand product. The Group maintains and is dependent on long term supplier relationships.</p> <p>The retail fascias are heavily dependent on the products and the brands themselves being desirable to the customer if the revenue streams are to grow. Therefore, the Group needs all of its third party and own brands, including brands licensed exclusively to it, to maintain their design and marketing prominence to sustain that desirability.</p> <p>The Group is also subject to the distribution policies operated by some third party brands both in terms of the fascias which can sell the ranges and, more specifically, the individual towns or retail centres.</p>		<p>The Group seeks to ensure it is not overly reliant on a small number of athletic brands by constantly adding new brands to its offer and by offering a stable of evolving own brands.</p> <p>Where possible, the Group's retail fascias also work in partnership with the third party brands in their business on the design of bespoke product which is then exclusive to the Group's fascias.</p> <p>Furthermore, the Group continues to actively seek additional brands which it can either own or license exclusively.</p>	<p><b>MARKET POSITION</b></p>
<p><b>INTELLECTUAL PROPERTY</b></p> <p>The Group's trademarks and other intellectual property rights are critical in maintaining the value of the Group's own brands. Ensuring that the Group's businesses can use these brands exclusively is critical in providing a point of differentiation to our customers and without this exclusivity we believe that footfall into the stores, visits to our websites and ultimately conversion of these visits into revenues would all be reduced.</p>		<p>The Group works with third party organisations to ensure that the Group's intellectual property is registered in all relevant territories. The Group also has a well-established Profit Protection team which actively works to prevent counterfeit product being passed off as legitimate.</p>	<p><b>MARKET POSITION</b></p>

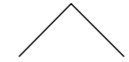
RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>WAREHOUSE OPERATIONS</b> A large proportion of the Group's stock is held in the Group's warehouse in Rochdale. Having the stock in one location with increased automation in the picking process has brought significant benefits in terms of capacity, universal product availability and quicker deliveries to our European stores. However, there is an increased risk to store replenishment and multichannel fulfilment from both equipment and system failure, together with the inherent risk of having all the stock in one location.</p>	 	<p>The Group has previously worked with its insurers on a conceptual Business Continuity Plan which came into effect when the warehouse became operational.</p> <p>In addition, there is a full support contract with our automation equipment providers which includes a 24/7 presence from qualified engineers thereby enabling immediate attention to any equipment issues. The Group also pays for enhanced 'hypercare' support over the seasonal peak period from Black Friday in November to after Christmas.</p> <p>The construction of an extension to the facility at Kingsway has now been completed including the installation of additional automation equipment. The completion of this project enables a large part of the fulfilment for stores and online to be processed independently in different locations thereby providing greater flexibility and resilience. Whilst it is an extension rather than a separate building, there is a two hour fire resistance wall between the two operations. The Group's insurers have been involved at every stage of the project.</p> <p>Other projects to further expand our warehousing capabilities and to reduce the pressure on the Kingsway site include:</p> <ol style="list-style-type: none"> <li>1 We have now completed a project to fit out a separate dedicated facility for the Group's Outdoor businesses (excl. Tiso which will maintain its facility in Edinburgh). This facility, based in Middlewich, has a footprint of 353,000 sqft and became operational, initially for the Go Outdoors business in late Spring 2019 with the Blacks and Millets fascias transferring into this facility in the first quarter of 2020. The removal of Outdoor product which is often not of a size, shape and weight compatible with automation equipment will help simplify the operations at Kingsway.</li> <li>2 Working with our third party logistics provider, we now have access to an 80,000 sqft facility in Belgium. We will commence receipting product into this facility and fulfilling to certain stores shortly.</li> </ol>	<p><b>INFRASTRUCTURE AND RESOURCES</b></p>

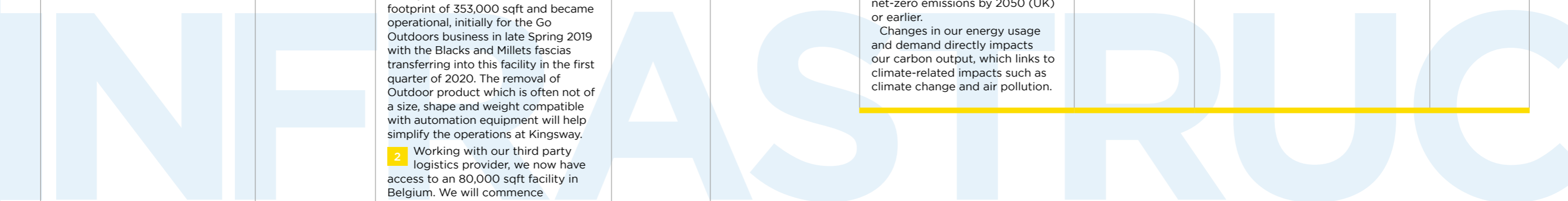
**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS**


Improving the sustainability and environmental performance of the Group has been a key facet of our business plan over recent years, with efforts intensifying due to both external pressures, and our increasing global footprint. Accordingly, the Group has decided to aggregate our known ESG risks, impacts and mitigating activities within this new section of our Annual Report. This further emphasises our recognition and acceptance of the importance of environmental and social

considerations as a core part of our corporate ethos and strategy, which instigate continued ESG improvements within our commercial operations.

Robust governance, transparency and accountability principles underpin our approach across all areas of the business. Understanding and assessing ESG risks supports our efforts to mitigate and manage accordingly, benefitting both the Group, and the local environments in which we operate.

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>ENVIRONMENTAL - CLIMATE CHANGE</b> <b>Carbon emissions</b> The Group has a global estate requiring energy to operate its activities. The Group has direct control of a limited number of non-retail sites, but accepts that these sites, and our core retail businesses (within leased buildings) must proactively manage and reduce their respective energy usage and associated carbon emissions.</p> <p>We envisage that energy usage and carbon emissions will continue to be subject to increasing levels of legislation and taxation in the years ahead, as part of respective government commitments towards achieving net-zero emissions by 2050 (UK) or earlier.</p> <p>Changes in our energy usage and demand directly impacts our carbon output, which links to climate-related impacts such as climate change and air pollution.</p>		<p>The Group has participated in the Carbon Disclosure Project (CDP) since 2016. The CDP is recognised as an authoritative carbon benchmark, used by investors, companies and cities alike. Our CDP submission allows the Group to benchmark our management of carbon usage and reduction against industry peers. Within the Period, JD has achieved a score two grades above the average for both our sector, and the wider European average.</p> <p>The group takes a pro-active approach in its emissions by looking at ways to procure green renewable energy. This commitment has been further progressed with the Group joining RE100 in summer 2019.</p>	<p><b>ENVIRONMENTAL (ESG)</b></p>



RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>ENVIRONMENTAL - CLIMATE CHANGE</b>  <b>Global warming</b>                      The 2016 Paris Agreement called for Science based targets to limit global warming at a maximum level of 2°C increase. In 2018 an IPCC (Intergovernmental panel on climate change) report confirmed the temperature is 1°C above pre-industrial levels. A level of 1.5°C global warming impacts on natural and human systems, and accordingly recommendations are in place for mitigation pathways to try and restrict global warming to 1.5°C, a reduction from the 2016 Paris Agreement target. From a business perspective, this is likely to result in a) Environmental risks (including primary materials and industries) in the event the 1.5°C target is not reached and b) additional investment in renewable energy sources, carbon-reduction initiatives, and potential additional taxation to help achieve the revised target of restricting global warming to a maximum of 1.5°C.</p>		<p>The Group will be improving its reporting on our Scope 3 carbon footprint, which accounts for the largest volume of emissions that our business can influence. Within the next period, we will seek to reaffirm our carbon reduction commitments via the implementation of Science-Based Target initiatives (SBTs).</p> <p>Within the last period, the Group has continued to reduce energy consumption and carbon through investment, monitoring and behavioural changes. Building Management Systems (BMS) permits quick, remote diagnostic-fixes to equipment and temperature errors, reducing energy wastage and its related CO2 emissions. The Group will continue to introduce BMS to stores wherever we can achieve investment payback within lease terms. In Summer and Winter 2019, we adopted a new energy-saving practice by actively reducing our previous heating and cooling set-points, further decreasing our energy usage and CO2 impact.</p>	<p><b>ENVIRONMENTAL (ESG)</b></p>



RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>ENVIRONMENTAL - CLIMATE CHANGE</b>  <b>Regulatory and compliance</b>                      Changes to climate laws and regulations are emerging such as the 2019 UK Climate Act, and compliance with transition from the UK Government's Carbon Reduction Commitment, to the new Streamlined Energy and Carbon Reporting (SECR) regime. Furthermore, we envisage increasing levels of localised policy and regulation. Examples of this include councils and transport authorities operating 'Clean Air' divisions leading initiatives such as 'Clean air zones' that target reductions in emissions city centre emissions. Business logistics services will be one of the prominent areas targeted by such schemes.</p>		<p>Compliance with the 2019 UK Climate Act will be achieved via the Group's established environmental data collection and reporting systems, including developed environmental KPIs for all UK trading operations. The Group continues to engage specialist energy/environmental consultants to review our compliance procedures, and to advise on new and pending legislation.</p> <p>Our planned work on Scope 3 data collation (and subsequent use of science-based targets) will support our continued efforts to mitigate risks associated with operating cost increases relating to both national and local-level environmental legislation and regulations.</p> <p>During the period the Group re-launched its corporate website, a reference point for our ESG statements, achievements and strategy, enabling greater transparency on our practices and progress. In January 2020 the Group formed its ESG Committee, chaired by the CFO. The Committee shall ensure adherence to documented Sustainability and ESG standards, and oversee plans for the introduction a new 'ESG and Sustainability Policy Framework' during 2020.</p>	<p><b>ENVIRONMENTAL (ESG)</b></p>
<p><b>ENVIRONMENTAL - BIODIVERSITY, RESOURCES AND WATER SECURITY</b>  <b>Biodiversity, Impact on habitats and Forests</b>                      Growing human demand for natural resources can impact the biodiversity system. Commercial agriculture is the largest cause of deforestation and forests degradation globally. The supply-demand of key forest risk commodities also accounts for 10-15% of greenhouse gas emissions<sup>1</sup></p>		<p>The Group has submitted its first response to the 'Forests' CDP, although the activities of the Group (in relation to Forests CDP content) is limited compared to other sectors. Even when our usage of biodiversity-impacting resources is low, the Group welcomes opportunities to benchmark and improve its environmental stewardship.</p>	<p><b>ENVIRONMENTAL (ESG)</b></p>

<sup>1</sup> <https://www.cdp.net/en/forests>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>ENVIRONMENTAL - BIODIVERSITY, RESOURCES AND WATER SECURITY</b>  <b>Cotton/polyester - Private label</b>                      The fashion industry depends on natural resources including cotton as well as other oil based fibres such as polyester. Making sustainable products can directly impact farmers, the use of pesticides and water. Using recycled polyester can offer many sustainable benefits vs virgin polyester.</p>		<p>For our own footwear and accessories brands we provide and monitor a 'supplier manual' including policies on modern slavery, procurement and global environmental footprint reduction. This includes standards we require to be met with regards to Reach (Registration, Evaluation &amp; Authorisation of Chemicals). For leather manufactured goods, the Group requires our suppliers to be signed up to the Leather Working Group (LWG) standards.</p>	<p><b>ENVIRONMENTAL (ESG)</b></p>
<p><b>ENVIRONMENTAL - BIODIVERSITY, RESOURCES AND WATER SECURITY</b>  <b>Water reduction</b>                      It is recognised that the fashion sector is the second largest consumer of the world's water supply and there is an ever-growing issue of water scarcity<sup>2</sup>. The Group acknowledges that large organisations will be required (via legislation, or consumer pressure) to improve the reporting on water usage and reduction measures. We envisage that water usage reporting may follow the route of Carbon reporting via a tiered system of primary, secondary and tertiary usage.</p>		<p>During the period, the Group has reduced its use of Virgin Polyester and increased use of Responsibly Sourced Cotton ('Sustainable cotton'). Sustainable cotton ensures that; i) farmers are trained on methods of water reduction ii) farms are economically irrigated and iii) receipt and payment of fair wages. The Groups own-brand manufactured garments are now accredited via a 'Sustainability flag' process. Over 800,000 garments were categorised against our sustainability goals, featuring new Gold/Silver/Bronze award criteria.</p>	<p><b>ENVIRONMENTAL (ESG)</b></p>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>ENVIRONMENTAL - BIODIVERSITY, RESOURCES AND WATER SECURITY</b>  <b>Plastic</b>                      As demand on plastic reduction and recycling continues to increase, with consumer pressure presently advancing ahead of regulatory measures. The Group expects to see further taxation on single-use items, and to see an increase in the threshold standard of bags and packaging termed 'reusable' and 'recyclable'. The Group has undertaken research and multiple plastic and material re-processing options, and notes that UK-infrastructure on such 'circular economy' solutions is below the standards of mainland Europe.</p>		<p>The Groups approach to plastic encompasses the three classic principles of 'reduce, reuse and recycle'. During the period we have increased the amount of recycled content within our plastic bags and online packaging. We believe in improving customer awareness of the importance of re-use and accordingly, implemented additional messaging on our packaging. The Group commenced a review and trial of different solutions to reduce and re-use waste streams from our stores and distribution centre, as well as identifying local economy solutions with remaining, unusable waste.</p>	<p><b>ENVIRONMENTAL (ESG)</b></p>

**800,000**  
**GARMENTS WERE CATEGORISED AGAINST OUR SUSTAINABILITY GOAL**



**IMPACT**

<sup>2</sup> <https://www.businessinsider.com/fast-fashion-environmental-impact-pollution-emissions-waste-water-2019-10?r=US&IR=T>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>ENVIRONMENTAL - BIODIVERSITY, RESOURCES AND WATER SECURITY</b>  <b>Enhanced retailer take back</b>                      With growing focus and pressure on 'circular economy' enablement, there is increasing expectation from consumers on store take back schemes. The Group further anticipates additional regulatory measures such as 'Extended Producer Responsibility', whereby brand owners and manufacturers are required to take on additional responsibility for the recycling/disposal of end of life products and packaging.</p>		<p>The majority of goods sold by the Group are manufactured by leading global brands (e.g. Nike, Adidas, Under Armour). Accordingly, we engage with our suppliers on reciprocal positioning of ESG within their respective business strategies.</p> <p>Examples of brand activities to offset environmental impact (including some activities potentially covered by enhanced producer or retailer take back) include Adidas' commitment that from 2024, it shall use recycled polyester in every product and on every application where such a solution exists.</p> <p>Nike has delivered innovations such as the first fully recyclable running shoe "Futurecraft Loop" being in the test phase<sup>3</sup>. Nike has reached 25 years of 'Nike Grind' which uses materials that are created from Nikes recycled surplus manufacturing materials and athletic footwear. These materials are incorporated into performance products, ranging from new Nike footwear and apparel to outdoor play surfaces<sup>4</sup>, resulting in 30 million pairs of athletic shoes recycled to date.</p> <p>The Group does not presently offer in-store recycling services to consumers, but is assessing its options via consultation with key suppliers, charities, and industry associations. Important take back scheme considerations include:</p> <ul style="list-style-type: none"> <li>• carbon emissions associated with the transportation of goods</li> <li>• impact of retailer take back on charity volumes</li> <li>• health and safety procedures, and</li> <li>• commercial viability.</li> </ul>	<p><b>ENVIRONMENTAL (ESG)</b></p>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>SOCIAL - HUMAN RIGHTS, LABOUR STANDARDS AND RESPONSIBILITY</b>  <b>Human rights and labour standards</b>                      Respecting human rights within the Group and across our supply chain is a key part of running a successful organisation. Human rights are fundamental principles which allow individuals to lead a dignified and independent life, free from abuse and violations.</p>		<p>Identification and prevention of Modern Slavery is a key priority throughout our supply chain. On a perpetual basis, the Group actively investigate several tiers of processing within our private label supply chain (including agents, factories, mills, dye houses and print houses). We recognise the need to go further and are committed to full transparency.</p> <p>With regards to Modern Slavery in the UK, the Group have focused on the Kingsway DC and have implemented several procedural based strategies. The Group have joined the GLAA and also host events on site, with participation including our 3rd party suppliers.</p> <p>To mitigate and prevent labour standard breaches, the Group promotes an Ethical Code of Practice for all private label suppliers, outlining minimum required standards, including wages being paid in line with local laws.</p> <p>The Ethical Code of Practice also ensures working protection and provides assurance that our products are manufactured within safe and fair conditions.</p> <p>The Group continuously audits factories it uses for its private label business, by third party accredited auditors. The Group's factories are also screened and verified prior to being included within our sourcing strategy.</p> <p>The group recognizes that building fair relationships with their suppliers is critical to maintaining standards across the global workforce.</p>	<p><b>SOCIAL (ESG)</b></p>

3 <https://www.adidas-group.com/en/sustainability/compliance/environmental-approach/#/approach-to-mitigate-climate-change/approach-to-water/>  
 4 <https://purpose.nike.com/nike-grind>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>SOCIAL - HUMAN RIGHTS, LABOUR STANDARDS AND RESPONSIBILITY</b></p> <p><b>Health and Safety</b></p> <p>The health and safety of our customers and employees is of the utmost importance. Policies are implemented in conjunction with training programs to protect our employees and customers. Personal injuries, distress and fatalities could result from a failure to establish and maintain safe environments.</p>		<p>There is a comprehensive induction and training program for all staff covering Health and Safety issues.</p> <p>The Group Health and Safety Committee meets on a quarterly basis, is chaired by the Group Health and Safety Manager with attendees including the Chief Financial Officer, Company Secretary and Group Property Director. The Group Health and Safety Manager appraises the Board of material issues and incidents on a periodic basis. Targets are set by the Board to enable measurement of performance.</p> <p>Performance against targets, incidents, and legal claims that arise are reported to the Board.</p> <p>The Group also works closely with its principal insurers who undertake regular risk reviews both in the store portfolio and in the main central warehouse. The Kingsway distribution centre maintained the British Safety Council 'Five Star' accreditation for the third successive year for safety management. Further, the Royal Society for the prevention of Accidents has awarded the Group a Gold Award for its overall health and safety performance during 2019.</p> <p>The Group has also had to adapt its retail and other operations in response to COVID-19 in accordance with the specific regulations in each of the territories where it operates. The measures include:</p> <ul style="list-style-type: none"> <li>• Measures to maintain social distancing</li> <li>• Provision of additional welfare facilities</li> <li>• Provision of Personal Protective Equipment</li> <li>• Quarantining of stock</li> </ul>	<p><b>SOCIAL</b> <b>(ESG)</b></p>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>GOVERNANCE - ANTICORRUPTION, RISK MANAGEMENT, REGULATORY AND COMPLIANCE</b></p> <p><b>Data Protection Compliance</b></p> <p>The majority of both third-party branded product and the Group's own branded product is sourced outside of the UK. The Group is therefore exposed to the risks associated with international trade and transport as well as different legal systems and operating standards. Whilst the Group can manage the risk in the supply chain on its own and licensed products, it has little control over the supply chain within the third party brands. As such, the Group is exposed to events which may not be under its control.</p>		<p>The Group works with its 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. Furthermore, adequate levels of stock are maintained to cover short periods of supply delay.</p> <p>Compliance is monitored by the Group's Head of Quality and Ethics who has extensive experience in this area. The Group has established a cross functional approach to compliance ensuring that the sourcing and design teams work collaboratively to ensure compliance is built into the design process.</p>	<p><b>SOCIAL</b> <b>(ESG)</b></p>
<p><b>GOVERNANCE - ANTI-CORRUPTION, RISK MANAGEMENT, REGULATORY AND COMPLIANCE</b></p> <p><b>Anti-corruption and anti-bribery</b></p> <p>The Group could face the risk across its employees of breaching rules and regulations to conduct responsible business. This can include risks of corruption and bribery.</p>		<p>The Group is committed to acting professionally, fairly and with integrity in all its business dealings. The Group has its own Anti-corruption and bribery policy. The Group also works closely with its Profit Protection team to monitor and investigate any convictions and issues.</p>	<p><b>GOVERNANCE</b> <b>(ESG)</b></p>

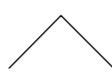




RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>GOVERNANCE – ANTI-CORRUPTION, RISK MANAGEMENT, REGULATORY AND COMPLIANCE</b></p> <p><b>Risk Management</b></p> <p>The Task Force on Climate-related Financial Disclosures (TCFD) has provided recommendation of how organisations operate in relation to governance, strategy, risk management, and metrics and targets.</p>		<p>The Group's Board is committed to sustainability, with ESG related matters representing a discussion item at Board meetings. Our CFO is the Board Director responsible for ESG and Sustainability, and leads the ESG Committee, founded in January 2020.</p> <p>Almost all headline TCFD recommendations are covered within existing Group statements and policies. We are presently undertaking trials of a reporting system with very similar outputs to the TCFD 'Knowledge Hub'.</p>	<p><b>GOVERNANCE (ESG)</b></p>
<p><b>GOVERNANCE – ANTI-CORRUPTION, RISK MANAGEMENT, REGULATORY AND COMPLIANCE</b></p> <p><b>Tax transparency</b></p> <p>The Group operates on a global scale across many countries, with tax policies that vary for each country, this can result in potential tax risks.</p>		<p>Our Group aims to ensure that it pays the right amount of tax in each country in which it operates and does not engage in arrangements which are artificial or contrived. We actively identify, evaluate, manage and monitor tax risks where appropriate and strive to remain low-risk. Where there is significant uncertainty or complexity in relation to risk, external advice may be sought from professional advisors and discussed with the relevant tax authority.</p>	<p><b>GOVERNANCE (ESG)</b></p>

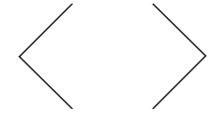

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>GOVERNANCE – ANTI-CORRUPTION, RISK MANAGEMENT, REGULATORY AND COMPLIANCE</b></p> <p><b>Data Protection Compliance</b></p> <p>The General Data Protection Regulation (GDPR), which significantly increased the Group's risk exposure in the event of non-compliance with data protection requirements, has been in force for 2 years now. As such, the Information Commissioner's Office has now firmly established its enforcement practices with regard to GDPR and, following a period of increased focus on data protection legislation, there remains a heightened awareness of data protection rights and protections amongst data subjects – primarily the Group's employees and customers.</p> <p>The Group is obliged to have an extensive programme of measures to ensure compliance with all data protection legislation across the Group and to regularly review the same. This ongoing review process must include (i) the carrying out of audits to test compliance and to refresh processes and materials where necessary; and (ii) training the Group's employees to ensure there is sufficient awareness of the Group's data protection obligations.</p>		<p>The Group Data Protection Officer (DPO) has ultimate responsibility for data protection compliance matters across the Group. This role is supported by the Group's legal team, information security team, HR and profit protection team who ensure that all compliance measures are adhered to and maintained and updated as appropriate.</p> <p>A number of 'data protection champions' have been nominated to ensure these measures are implemented effectively in each area of the business.</p> <p>Following the completion of the Group's readiness for GDPR programme, the Group now utilizes its ongoing programme of compliance measures, which includes regular audits and training, to ensure compliance with the data protection legislation. The legal team regularly advise on the manner in which the data protection legislation is being enforced by the relevant regulatory bodies in each territory and keeps abreast of any developments in this area. The Group also has an extensive body of data protection policies which are updated as required.</p>	<p><b>GOVERNANCE (ESG)</b></p>
<p><b>GOVERNANCE – ANTI-CORRUPTION, RISK MANAGEMENT, REGULATORY AND COMPLIANCE</b></p> <p><b>Regulatory &amp; Compliance</b></p> <p>The Group operates in a fast paced retail environment which is subject to various legislation, codes of practice, guidance and standards including, but not limited to, the listing rules, consumer protection and trading standards legislation, advertising regulations, product safety and quality standards, carbon emission reporting, bribery and corruption requirements, market abuse regulation, competition law and health and safety law.</p> <p>The Group recognises that failure to comply with these legal frameworks may result in financial or reputational damage to the business.</p>		<p>The Group actively monitors adherence to its existing regulatory requirements and has a number of internal policies and standards to ensure compliance where appropriate. The Group has a legal team to ensure that various aspects of the business are aware of their regulatory obligations and have a clear understanding of the measures they need to implement to ensure compliance. External and specialist legal advice is obtained where necessary.</p> <p>The Group's legal team provides training where required and operates a confidential whistleblowing hotline for colleagues to raise concerns in confidence. The Group expects all suppliers to comply with its Conditions of Supply which clearly sets out its expectations of its suppliers and includes an Ethical Code of Practice which all suppliers must adhere to.</p>	<p><b>GOVERNANCE (ESG)</b></p>

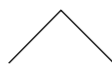
**PROPERTY RISKS**

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>RETAIL PROPERTY FACTORS</b></p> <p>The retail landscape has seen significant changes the last year with a high volume of retail units becoming vacant consequent to a number of retail insolvencies. We firmly believe that retail occupancy levels will decrease significantly as a direct consequence of COVID-19.</p> <p>The Group can be financially exposed where it has committed itself to a long lease in a location which, as a result of external factors, now has high vacancy rates making it less attractive to the customer which can drive further reductions in footfall and potentially future lower sales volumes.</p> <p>Additionally there could be a further shift of revenue from bricks and mortar stores to ecommerce as consumer preferences change over time.</p>		<p>Wherever possible, the Group will seek a number of protections when agreeing to new property leases:</p> <ul style="list-style-type: none"> <li>• New leases taken out for a maximum period of 10 years</li> <li>• Break option no later than halfway through the lease with three year breaks becoming increasingly the norm</li> <li>• Capped rent reviews</li> <li>• Rents which flex with turnover in the store</li> </ul> <p>As a consequence of COVID-19, the Group is actively managing the property risks and is engaging with all of its landlords, regardless of the remaining lease term.</p> <p>When the Group determines that the current store performance is unsatisfactory then an assessment is made on whether the Group wants to continue trading in that location. If it does then the landlord is approached to see whether we can reach an agreement on a reduction in the rent or a change to a turnover based rent.</p> <p>If it is considered that the best solution is to exit the store completely then the landlord is approached with a view to a complete surrender of the lease. If this is not possible then the Group would alternatively seek to assign the lease or sublet it to another retailer. The Group is mindful of general economic factors and the already wide availability of retail units consequent to the bankruptcy or other restructuring processes of other retail businesses.</p> <p>Assigning the lease or finding a sub-tenant is not without risk because if the incoming retailer fails then the liability to pay the rent usually reverts to the head lessee. The Group monitors the financial condition of the assignees closely for evidence that the possibility of a store returning is more than remote. The Board reviews the list of assigned leases regularly to assess the probable risk of the store returning to the Group under privity of contract.</p> <p>The Group continues to invest in store refurbishment, visual merchandising, retail theatre, customer service and digital integration to enhance the consumers' in store retail experience.</p>	<p><b>STORE PORTFOLIO</b></p>

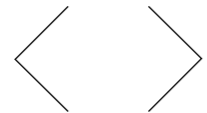
**TECHNOLOGICAL RISKS**

The Group continues to enhance its multichannel proposition and the threat of cyber crime is constantly evolving resulting in an increased risk exposure before mitigating activities.

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>IT SYSTEMS</b></p> <p>The Group relies on its IT systems and networks and those of the banks and the credit card companies to service its retail customers all year round.</p> <p>The principal enterprise system continues to be ideally suited to the operations of the business but it has historically been reliant on a limited number of key development staff.</p>		<p>The IT team continues to be strengthened. Further, a bespoke training scheme is in place to train already highly skilled IT operatives in the operating system behind the core ERP system.</p> <p>Any long term interruption in the availability of the core enterprise system would have a significant impact on the retail businesses. The Group manages this risk by housing the principal IT servers in a third party location which has a mirror back up available should the primary servers or links fail.</p> <p>Outside of the core ERP system, one of our smaller UK subsidiaries (Tiso Group Limited) has successfully implemented the Eurostop ERP system whilst our Chausport business in France is nearing completion of a project to install the Infor ERP system. The core IT team have been involved in these development projects and it is hoped that other group companies can benefit from the learnings leading to longer term consistency on ERP system developments across the Group.</p>	<p><b>STORE PORTFOLIO AND MULTICHANNEL</b></p>
<p><b>CYBER SECURITY</b></p> <p>Cyber crime is becoming more sophisticated and is a risk in all of our markets. A cyber attack or a breach of information security may result in the short term loss of revenue and diverted resources and there is the risk of a longer term negative impact on customer confidence and the Group's reputation.</p>		<p>The Group continues to invest in protecting our sites and customer data from exposure to cyber attacks. There have also been improvements made in how we handle data across the group with focus on training and awareness for staff and improved policies, procedures and strategies in place to monitor our systems.</p> <p>There has been focus on encryption, network security, access controls, perimeter defence, data protection and a review of information handling by all parties.</p>	<p><b>MULTICHANNEL</b></p>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>COVID-19</b> Managing IT and Cyber risk in the COVID-19 pandemic climate of remote and homeworking and the strategy implemented.</p>		<p>The Group IT team successfully managed the roll out of 300+ new laptops in 2020 Q1 as part of its migration to windows 10. For remote working employees can interact via Microsoft Teams which is part the IT Strategy access to JD systems is through VPN.</p> <p>This technology has been in place and used significantly throughout the life of JD due to this being a requirement of the business.</p>	<b>MULTICHANNEL</b>

**PERSONNEL RISKS**


RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>PERSONNEL</b> The success of the Group is dependent upon the continued service of its key management personnel and upon its ability to attract, motivate and retain suitably qualified employees.</p>		<p>To help achieve this continued service, the Group has competitive reward packages for all staff.</p> <p>More specifically for the retail businesses, the Group also has a long established and substantial training function which seeks to develop training for all levels of retail employees and thereby increase morale and improve staff retention. This ensures that knowledge of the Group's differentiated product offering is not lost, thereby enhancing customer service.</p> <p>The Board regularly considers the actions required to ensure there is succession planning for all key roles.</p>	<b>CORPORATE AND SOCIAL RESPONSIBILITY</b>

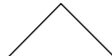
**ECONOMIC AND FINANCIAL RISKS**

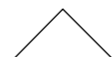
As with other retailers and distributors into retail businesses, the demand for the Group's products is influenced by a number of economic factors, notably interest rates, the availability of consumer credit, employment levels and ultimately, disposable income. The Group seeks to manage this risk by offering a highly desirable and competitively priced product range, which is highly

differentiated from that of the Group's competitors.

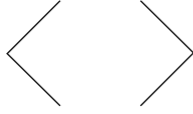
As the Group continues to expand in Europe and further afield into new territories, the risk of exposure to fluctuations in foreign exchange rates increases. The economic and financial risks and uncertainties that are specific to the Group and the markets in which its businesses operate are as follows:

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>BREXIT</b> There are a number of indirect and direct risks associated with Brexit that the Group would be exposed to:</p> <p><b>Tariffs and Duties</b> The UK has now left the EU and is in transition period to 31 December 2020. At this stage, the exact nature of the UK's future relationship with the EU beyond the end of this transition period is uncertain and so we remain cognisant of the potential adverse consequences on supply chains, tariffs, exchange rates and consumer demand.</p> <p>The Group currently operates with a highly integrated stock management infrastructure for its stores across Europe where the stock requirement for the JD stores outside of the UK is aggregated with that of the UK stores with one consolidated order then sent to the supplier. All stocks are then delivered to the Group's primary Kingsway warehouse with different import processes for third party brands and the Group's owned and licensed brands:</p>		<p>The Group has selected colleagues from each area of the business who collectively work with external advisors to assess the impact and manage the changes required as a result of Brexit.</p> <p><b>Tariffs and Duties</b> The short term cost impact of the potential tariffs has been modelled by the Group and is discussed further in the Viability Statement on page 69.</p> <p>The Group's principal mitigation longer term will come from the development of a dedicated warehouse in Europe. As per page 37 this project is ongoing.</p> <p>The initial site that the Group is developing will not be big enough to hold all stocks required for the JD stores in Europe and so we are looking at other options to mitigate the potential cost of additional duties in the short term including:</p> <p><b>1</b> If necessary, stock deliveries into mainland Europe will be accelerated ahead of 31 December 2020 with options to hold stock in both Sprinter's warehouse in Alicante and other third party facilities under review.</p> <p><b>2</b> The Group has also discussed the potential direct delivery of some products from the international brands own warehouses in mainland Europe to the JD stores on the continent.</p>	<b>BREXIT</b>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>BREXIT (continued)</b>                      Third Party Brands: These orders are very largely placed on a landed cost basis with the suppliers dealing with the import process and the accounting for any duty. Some of these goods are delivered direct to the Group from the original factory whilst some are routed through the Brands own warehouses with these located both in the UK and mainland Europe. The Group also often only receives stocks for launches just before the launch date.</p> <p>Owned and Licensed Brands: These orders are largely placed on a 'Free on Board' basis with the Group then processing the necessary import documentation and accounting for the duties.</p> <p>The majority of the Group's retail stores across Europe are currently supplied with stock by the Group's principal warehouse at Kingsway, Rochdale.</p> <p>If the transition period ends either without an agreement or there is only a very basic framework agreement which does not reflect previous tariffs and duties paid then there would be additional duties to pay principally for the export of stock into the European Union. In the case of stock of third party brands then these duties would have to be recognised on the full UK landed cost as we do not have the original factory invoice from those third party suppliers and we would not expect to be able to obtain that invoice as it is commercially sensitive.</p>			<p><b>BREXIT</b></p>

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>BREXIT (continued)</b>  <b>Disruption to the Supply Chain</b>                      Exiting the transition period without a formal agreement may result in additional customs requirements and therefore potential delays to the supply chain.</p> <p><b>Foreign Exchange</b>                      Brexit increases the Group's exposure to exchange rate volatility which could impact the rate at which the Group can source goods priced or sourced in US Dollars or Euros.</p> <p><b>Regulatory and Compliance</b>                      Laws and regulations could diverge between the UK and EU leading to increased operational complexity and a greater risk of non-compliance.</p>		<p><b>Disruption to the Supply Chain</b>                      In the short term, the Group can accelerate the intake of goods into Europe and is looking at both options to hold these stocks in a central location, potentially using space at Sprinter's warehouse in Alicante, and increasing the stock holding in each European store where practicable.</p> <p>In the longer term, the Group will be considering the logistics options such as the European warehouse as noted above.</p> <p><b>Foreign Exchange</b>                      The Group's mitigating activities are discussed further in the Treasury and Financial risks section below.</p> <p><b>Regulatory and Compliance</b>                      The Group will continue to work with external advisors to ensure that procedures are in place to monitor legal and regulatory changes. The Group will implement appropriate measures to ensure continued compliance with laws and regulations. The Group's mitigating activities are discussed further in the GDPR and Regulatory and Compliance sections below.</p>	<p><b>BREXIT</b></p>

ECONOMIC

RISK AND IMPACT	CHANGE IN RISK EXPOSURE 2019/20 BEFORE MITIGATING ACTIVITIES	MITIGATING ACTIVITIES	LINK TO OUR STRATEGY
<p><b>TREASURY AND FINANCIAL</b> The Group is exposed to fluctuations in foreign exchange rates.</p> <p>Branded product for the JD fascia throughout Europe is purchased by JD Sports Fashion Plc which is the main UK trading business. This business then sells to the international businesses in their local currencies. Given the current geographical location of the Group's stores this results in an increasingly significant Sterling/Euro exposure in the UK trading business for the Euros which are remitted back for stock purchases.</p> <p>There is also exposure in relation to Sterling/US Dollar consequent to the sourcing of own brand merchandise, where suppliers are located principally in the Far East or Indian Sub-Continent. Strengthening of the US Dollar relative to Sterling makes product sourced in this currency more expensive thus reducing profitability.</p>		<p>The Group encourages its own brand suppliers to quote in Euros where possible thus creating a natural hedge against the Euros remitted from the international businesses. The surplus Euros are also used to fund the international store developments thus alleviating the need for local third party financing. Any surplus Euros are converted back to sterling with hedging now put in place for approximately 96% of the anticipated surplus for the year to 1 February 2021. This leaves some Euros available should the Group need to move quickly to take advantage of an acquisition or other investment opportunity. It is also our longer term intention to move to Euro pricing on stocks delivered to the proposed new warehouse in mainland Europe creating a natural hedge.</p> <p>The Group sets a buying rate for the purchase of own brand 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 local currency/US dollar contracts, using a variety of instruments, whereby the minimum exchange rate on the purchase of dollars is guaranteed. Hedging has now been put in place for approximately 93% of the anticipated requirement for the year to 1 February 2021.</p>	<p><b>GLOBAL EXPANSION, MARKET POSITION AND BREXIT</b></p>

**ASSESSMENT OF THE GROUP'S PROSPECTS**

The Board regularly reviews the current financial position and performance and assesses the future prospects of the Group. As part of this assessment the Board reviews the Group's income and expenditure projections, cash flows and other key financial ratios along with the potential impact of, and challenges presented by, the principal risks outlined on pages 48 to 69.

The Group's strategy along with the factors likely to affect the development, performance and position of the businesses are detailed throughout the Strategic Report on pages 42 to 110.

**VIABILITY REPORTING**

In accordance with the requirements of the UK Corporate Governance Code, the Board has assessed the viability of the Group for a period of three years to 28 January 2023.

A period of three years has been selected as the Board considered this to be an appropriate period to assess performance and the potential impact of key risks in a fast paced retail environment. The three year period also strikes a balance between the time horizons across the different aspects of the Group, such as short term detailed financial budgets and forecasts, medium term financing considerations and retail space planning.

For the purposes of Viability Reporting, the Board has focused on the operational risks included in the supply chain section of the principal risks outlined on pages 48 to 50. The Board has evaluated the impact of these risks actually occurring based on severe but plausible scenarios. The evaluation included performing sensitivity analysis by flexing the main assumptions in each scenario individually.

Furthermore, the Group has performed additional analysis to assess the potential impact of Brexit. For the purposes of Viability Reporting, the Group has assumed that the UK exits without an agreement as

to the future trading relationship and would incur additional duties to pay for the export of stock into the European Union. A decline in consumer demand as a result of the political uncertainty has also been factored into the analysis.

The Board recognises that some form of social distancing measures may be in place for the foreseeable future which could negatively impact on the revenues generated in physical stores. Whilst the evidence from the closures earlier in 2020 suggests that the growth of sales through online channels will provide some mitigation against this, the Board have considered scenarios where store revenues reduce and online sales remain constrained at historic levels.

**VIABILITY STATEMENT**

Based on the results of the analysis detailed above, the Board has confirmed that the Group can maintain profitability in each scenario and would not exceed the funding facility that is available to the Group. The Board therefore has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment.

**GOING CONCERN**

After making enquiries and completing the assessment outlined in the Viability Reporting, the Directors have a reasonable expectation that the Company, and the Group as a whole, has adequate resources to continue in operational existence for the foreseeable future.

For this reason, the financial statements have been prepared on a going concern basis.

**Neil Greenhalgh**  
Chief Financial Officer  
7 July 2020

**EXPANSION**

	Sports Fashion		Outdoor		Unallocated <sup>2</sup>	Total	
	IFRS 16	IAS 17	IFRS 16	IAS 17		IFRS 16	IAS 17
	£m	£m	£m	£m	£m	£m	
Revenue	<b>5,696.8</b>	5,696.8	<b>414.0</b>	414.0	-	<b>6,110.8</b>	6,110.8
Gross profit %	<b>47.4%</b>	47.4%	<b>41.9%</b>	41.9%	-	<b>47.0%</b>	47.0%
EBITDA							
before exceptional items <sup>1</sup>	<b>952.4</b>	629.6	<b>27.4</b>	(6.0)	-	<b>979.8</b>	623.6
Depreciation	<b>(413.8)</b>	(132.0)	<b>(39.2)</b>	(9.9)	-	<b>(453.0)</b>	(141.9)
Amortisation <sup>1</sup>	<b>(5.4)</b>	(5.4)	<b>(4.5)</b>	(4.5)	-	<b>(9.9)</b>	(9.9)
Operating profit / (loss)							
before exceptional items <sup>1</sup>	<b>533.2</b>	492.2	<b>(16.3)</b>	(20.4)	-	<b>516.9</b>	471.8
Net interest expense	<b>(64.7)</b>	-	<b>(7.2)</b>	-	(6.2)	<b>(78.1)</b>	(6.2)
Profit/ (loss) before tax							
and exceptional items <sup>1</sup>	<b>468.5</b>	492.2	<b>(23.5)</b>	(20.4)	(6.2)	<b>438.8</b>	465.6
Exceptional items	<b>(40.6)</b>	(40.6)	<b>(49.7)</b>	(49.7)	-	<b>(90.3)</b>	(90.3)
Profit/ (loss) before tax	<b>427.9</b>	451.6	<b>(73.2)</b>	(70.1)	(6.2)	<b>348.5</b>	375.3

<sup>1</sup> This is a non-trading charge relating to the amortisation of various fascia names and brand names which arise consequent to the accounting of acquisitions made over a number of years. These charges are as follows:

- Sports Fashion: £5.4 million (2019: £7.5 million)
- Outdoor: £4.5 million (2019: £4.5 million)

<sup>2</sup> The Group considers that net funding costs are cross divisional in nature and cannot be allocated between the segments on a meaningful basis.

<sup>3</sup> Throughout the Annual Report "\*" indicates the first instance of a term defined and is explained in the Glossary on page 275.

## SPORTS FASHION

Whilst our global Sports Fashion businesses are inevitably suffering currently from the adverse impacts of the COVID-19 outbreak, we should recognise that fundamentally they have robust propositions and strong foundations from which to recover. We firmly believe that the relevance of our Sports Fashion fascias to consumers will not be diminished by the current situation, although it will inevitably slow our momentum this year.

The fundamental strength and foundations of our Sports Fashion businesses are reflected in their performance last year with profit before tax and exceptional items increasing by a further 28% to £468.5 million (2019: £365.8 million). On a consistent accounting basis, the proforma headline profit before tax and exceptional items to 1 February 2020 under IAS 17 'Leases' would have been £492.2 million being £23.7 million higher than that reported under IFRS 16 'Leases'.

Like for like store sales across our global Sports Fashion fascias (excluding Finish Line) increased by 8% with total like for like sales, including online, growing by 12%. All regions for the JD fascia delivered like for like growth in the year although we are particularly encouraged by the performance in our core UK and Republic of Ireland and Europe markets where total like for like sales

(including online) grew by more than 10%.

The combined Finish Line and JD business in the United States contributed an operating profit of £94.2 million (£97.9 million on a proforma basis under IAS 17 'Leases') in its first full year as part of the Group (2019: £26.6 million for the 33 week period post acquisition). On a proforma basis, compared to the same 52 week period in the prior year, total like for like sales for the combined Finish Line stores and website (excluding Macy's concessions) grew by 9%. We remain satisfied with the progression on gross margin in the Finish Line business which increased over the period to 42.9% (proforma 52 weeks to 2 February 2019: 42.2%).

Elsewhere, having completed the transfer of the Sport Zone operations into the Sprinter infrastructure in the first half of the year, we are encouraged by the positive developments in our businesses in Iberia. Over the full year, our combined businesses contributed a profit of £20.7 million (£23.3 million on a proforma basis under IAS 17 'Leases') (2019: £1.4 million). Having already restructured the operations, these businesses have a solid platform for future recovery as the operational restrictions are lifted.

The overall gross margin in Sports Fashion reduced to 47.4% (2019: 48.0%) largely due to the inclusion of the lower margin Finish Line business for the full period. It

is inevitable that there will be some gross margin sacrifice in the new year with additional promotional activity required to clear seasonally non-relevant apparel stocks in stores as they are re-opened combined with a delayed launch calendar as the international brands realign stocks and production schedules. We aim to end the current financial year with stock normalised thereby allowing for a return to our core commercial disciplines of maximising sellthrough and limiting markdown.

After recognising exceptional items in the period of £40.6 million (2019: £13.7 million) relating to the movement in the fair value of put and call options and the costs associated with transferring the stocks and operations of Sport Zone into the Sprinter infrastructure, the profit before tax in Sports Fashion was £427.9 million (£451.6 million on a proforma basis under IAS 17 'Leases') (2019: £352.1 million).

## OUTDOOR

It has been a year of transition and challenges in Outdoor with the Go Outdoors business, in particular, experiencing a number of integration issues in the project to transition store replenishment to being fulfilled entirely from a central warehouse.

The overall loss before tax and exceptional items increased to £23.5 million (£20.4 million on a proforma basis under IAS 17 'Leases') (2019: £4.3 million). The impact from the challenges in Go Outdoors are clearly reflected in the fact that the loss before tax and exceptional items in this specific business increased significantly to £23.8 million (loss of £20.0 million on a proforma basis under IAS 17 'Leases') (2019: loss of £2.2 million).

In recognition of the fact that, even before the COVID-19 outbreak, the recovery in Go Outdoors to normal levels of profitability was likely to go beyond this financial year, we recognised an exceptional charge of £42.5 million (2019: £nil) in relation to the impairment of the goodwill arising in previous years on the acquisition of the Go Outdoors business. A partial impairment of £20.7 million (2019: £nil) was recognised in the first half of the year at which point

the Group believed that the disruption consequent to the integration issues associated with the transition of fulfilment to the new warehouse were resolved. After further disruption in the business from the closure of the principal office in Sheffield, an additional charge of £21.8 million (2019: £nil) was recognised in the second half. We also recognised an exceptional charge of £7.2 million (2019: £1.6 million) for costs arising on the integration and consolidation of the principal IT systems, warehousing and other infrastructure.

Outdoor continues to have relevance as it provides the Group with additional third party brand touch points which we may subsequently be able to leverage elsewhere in the Group. However, given the inherently lower sales densities and lower gross margins in Outdoor on the sale of third party brands, this requires a proposition that is relevant all year round delivered from a store base with an efficient cost structure complemented by a strong online presence. Our confidence and belief in our approach comes from the fact that the Blacks and Millets business, which is more advanced on its journey to deliver an all year round proposition and has an online participation in excess of 30%, has reversed its loss of the previous year with a profit of £1.3 million (£0.3 million on a proforma basis under IAS 17 'Leases') (2019: loss of £1.3 million).

The overall gross margin in Outdoor reduced slightly to 41.9% (2019: 42.5%) largely driven by additional promotional activity in Go Outdoors in the first half of the year when the impact of the integration issues was greatest. Encouragingly though, the gross margin in the Blacks and Millets business improved by 1% to 43.6% (2019: 42.6%).

After recognising the exceptional items of £49.7 million (2019: £1.6 million), the loss before tax in Outdoor was £73.2 million (loss of £70.1 million on a proforma basis under IAS 17 'Leases') (2019: loss of £5.9 million).

**Peter Cowgill**  
Executive Chairman  
7 July 2020

	Impact of IFRS 16 Transition		2020	2019
	Proforma IAS 17	Adjustment	IFRS 16	IAS 17
	£m	£m	£m	£m
Revenue	6,110.8	-	<b>6,110.8</b>	4,717.8
Gross profit %	47.0%	-	<b>47.0%</b>	47.5%
EBITDA before exceptional items*	623.6	356.2	<b>979.8</b>	488.4
Depreciation / amortisation	(151.8)	(311.1)	<b>(462.9)</b>	(126.9)
Operating profit before exceptional items*	471.8	45.1	<b>516.9</b>	361.5
Net interest expense	(6.2)	(71.9)	<b>(78.1)</b>	(6.3)
Profit before tax and exceptional items*	465.6	(26.8)	<b>438.8</b>	355.2
Exceptional items	(90.3)	-	<b>(90.3)</b>	(15.3)
Profit before tax	375.3	(26.8)	<b>348.5</b>	339.9
Basic earnings per ordinary share	27.44p	(2.15)p	<b>25.29p</b>	26.90p
Adjusted earnings per ordinary share*	36.41p	(2.15)p	<b>34.26p</b>	28.44p
Total dividend payable per ordinary share	0.28p	-	<b>0.28p</b>	1.71p
Net cash at period end (a)	429.9	-	<b>429.9</b>	125.2

a) Net cash consists of cash and cash equivalents less interest-bearing loans and borrowings

b) Throughout the Annual Report "\*" indicates the first instance of a term defined and is explained in the Glossary on page 275

### REVENUE, GROSS MARGIN AND OVERHEADS

Total revenue increased by nearly 30% in the year to £6,110.8 million (2019: £4,717.8 million). This includes £1,601.5 million of revenue from Finish Line and JD in the United States (2019: £956.6 million for the 33 week period post acquisition) and £215.9 million (2019: £nil) from Footasylum in the 39 week period after it was acquired. Like for like store sales for the 52 week period across all Group fascias which were a member of the Group for the full year in both years increased by 6% with the total like for like growth including online for the same businesses increasing by 10%.

As expected, total gross margin in the year of 47.0% was slightly behind the prior year (2019: 47.5%) from the inclusion of a full year of the lower margin Finish Line business in the United States.

### PROFIT BEFORE TAX

Profit before tax and exceptional items increased by 24% to £438.8 million (2019: £355.2 million). On a consistent accounting basis, the proforma headline profit before tax and exceptional items to 1 February 2020 under IAS 17 'Leases' would have been £465.6 million.

The profit before tax and exceptional items includes a profit of £94.2 million (£97.9 million on a proforma basis under IAS 17 'Leases') in relation to the combined Finish Line and JD business in the United States in its first full half year as part of the Group (2019: £26.6 million for the 33 week period post acquisition).

There were exceptional items in the year of £90.3 million (2019: £15.3 million) primarily from the non-cash impairment of intangible assets arising on the acquisition of Go Outdoors and the movement in the fair value of put and call options. These exceptional items comprised:

	2020	2019
	£m	£m
Impairment of goodwill and fascia names <sup>(1)</sup>	<b>43.1</b>	8.1
Movement in fair value of put and call options <sup>(2)</sup>	<b>31.4</b>	5.6
Integration of Outdoor systems and warehousing <sup>(3)</sup>	<b>7.2</b>	1.6
Integration of Sport Zone into Sprinter infrastructure <sup>(4)</sup>	<b>8.6</b>	-
<b>Total exceptional charge</b>	<b>90.3</b>	15.3

1. The impairment in the current period relates to the impairment of the goodwill arising in prior years on the acquisition of Go Outdoors Topco Limited and Choice Limited.

2. Movement in the fair value of the liabilities in respect of the put and call options.

3. Costs arising from the integration and consolidation of the principal IT systems, warehousing and other infrastructure in Go Outdoors.

4. Costs associated with transferring the stocks and other operations of Sport Zone into the Sprinter infrastructure.

Group profit before tax ultimately increased by 3% to £348.5 million (2019: £339.9 million). On a consistent accounting basis, the Group profit before tax under IAS 17 'Leases' would have been £375.3 million.

### CASH AND WORKING CAPITAL

We have significantly increased our net cash position at the end of the period to £429.9 million (2019: £125.2 million) illustrating, yet again, the forceful combination of our capacity to generate cash in our retail operations and a continual focus on robust stock management disciplines.

During the year, the Group also further extended its principal syndicated bank facility. This facility now has a total commitment of £700 million, expiring on 6 November 2024. This facility was undrawn at the period end (2019: £30 million drawn down). The Group's second principal bank facility is a syndicated Asset Based Lending Facility in the United States which has a maximum revolving advance amount of \$300 million and expires on 18 June 2023. This facility was also not drawn down at the period end (2019: \$50 million drawn down).

During the year, the primary focus of our capital expenditure continued to be our retail fascias with the investment in the year on property fit outs broadly consistent with the prior year levels at £99.6 million (2019: £106.9 million). Within this, the investment on the international businesses increased significantly to £84.1 million (2019: £59.2 million) reflecting the increasingly international focus of our developments. The international investment included £20.4 million (2019: £12.0 million) in the United States. Elsewhere, the programme of works to fit out the 352,000 sqft extension to our Kingsway warehouse facility is now nearing completion with total investment in the year at the site of £12.2 million (2019: £36.1 million).

Net stocks at the end of the year were £811.8 million (2019: £763.8 million) with the increase principally as a result of stocks in Footasylum of £34.2 million following the acquisition of the business during

the year. We maintain a robust approach to stock management with continuous intense monitoring of very detailed metrics across all our businesses. We are particularly encouraged by the improved stock management and disciplines in Finish Line as, notwithstanding the fact that additional stocks are required for both the development of JD and to expand our textiles offer, net stocks across our combined businesses in the United States have reduced to £201.6 million (2019: £210.7 million).

### TAXATION

We are committed to paying our fair share of tax to build a successful and sustainable business. Our approach to responsible tax management is to pay the correct amount of tax in the right jurisdictions and on time. The tax we pay reflects the underlying commercial transactions across our business and given the focus of our activities in the UK, it is only right that this is where the majority of our tax is paid. The total amount paid in the UK across the various taxes (including local authority business rates) in the year to 1 February 2020 was £223.0 million (2019: £202.0 million). The increase was reflected across all taxes and was driven by the rise in the living wage, a higher level of sales and the associated profitability.

The effective rate of tax on profit from continuing operations has increased from 22.3% to 28.1% due to impairments of goodwill on consolidation, the increase in the value of put options and the level of overseas profits which are subject to higher rates of corporation tax than the UK. Excluding both exceptional items and prior year adjustments from the tax charge, the effective core rate\* from continuing activities has increased from 21.5% to 25.2%. This core effective rate continues to be above the standard rate due to the effect of overseas tax rates and the level of expenditure which is not deductible for tax purposes.

### DIVIDENDS AND EARNINGS PER SHARE

Given the current highly unusual circumstances, the Board believes that it is in the best interests of shareholders if the

Group maintains its cash reserves and so, accordingly, it does not believe that it is appropriate to pay a final dividend (2019: 1.44p). It is the Board's current intention that we would look to resume dividend payments when conditions allow, although it is important that we maintain flexibility around the timing and quantum of this commitment. Regardless, we continue to believe that it is in the longer term interests of all shareholders to keep future dividend growth restrained so as to maximise the available funding for our ongoing development opportunities.

The adjusted earnings per ordinary share before exceptional items increased by 20% to 34.26p (2019: 28.44p). On a consistent accounting basis the adjusted earnings per ordinary share were 36.41p.

The basic earnings per ordinary share decreased slightly by 6% to 25.29p (2019: 26.90p). On a consistent accounting basis, the basic earnings per ordinary increased by 2% to 27.44p.

#### TREASURY FACILITIES

Interest rate hedging has not been put in place on the current facility. The Directors continue to be mindful of the potential for rises in UK base rates but, at present, given the highly seasonal nature of the Group's core cashflows, they do not believe that a long term interest hedge is appropriate. This position continues to be reviewed regularly.

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

#### FOREIGN EXCHANGE EXPOSURES

The Group has two principal foreign exchange exposures:

**1** The sourcing of own brand merchandise from either the Far East or Indian Sub-Continent 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's forecast requirement for US Dollars in the period to January 2021 is now \$275 million. Cover is in place for \$264.6 million meaning that the Group is currently exposed on exchange rate movements for \$10.4 million of the current year's estimated requirement.

**2** The Group is also exposed to the movement in the rate of the Euro from the sale of its UK sourced stocks to its subsidiaries in Europe. However, the Group has an element of a natural hedge on this exposure as the Euros received for that stock are then reinvested back in those European subsidiaries to fund the development of both new stores and refurbishments. The anticipated surplus over and above the planned investment levels in the period to January 2021, pre any potential acquisition activity to be funded in Euros, is 500 million. Hedging contracts are in place to sell 462.4 million meaning that the Group is currently exposed on exchange rate movements for 37.6 million of the current year's estimated surplus.

**Neil Greenhalgh**  
Chief Financial Officer  
7 July 2020

## SPORTS FASHION

#### JD

JD is a world class retail fascia with an elevated multichannel proposition where a unique and constantly evolving sports and fashion premium brand offer is presented in a vibrant retail theatre with innovative digital technology. Whilst the majority of stores have now reopened after the COVID-19 outbreak, it is very clear that the challenge from the risk to consumer demand will exist for the foreseeable future and this will have an implication on the number of projects that were planned for this year as we assess the post reopening performance and it is entirely feasible that some projects may not proceed under the current lease terms.

Where investments in property are justified then they will be focused on further expanding the international reach of the JD fascia. We are confident that our increasing international reach and the consistency of our premium proposition across our territories will be even more attractive at this time to the major international landlords and property agents.

The major property developments in the year to 1 February 2020 were as follows:

- **UK & Republic of Ireland** – 14 new stores were opened in the period with two stores closed. Ensuring that we remain in positions with the highest footfall and have sufficient space to present our full offer in major markets remains a key strategy. In previous years we enhanced our proposition in key markets such as London, Manchester, Liverpool, Glasgow, Leeds and Dublin. We have now started to extend this principle into smaller cities and larger provincial towns with the opening of new larger stores in the year in Chester, Portsmouth, Basildon and Bournemouth and, whilst COVID-19 has delayed our programme for this year, we continue to plan further upsizes through 2020.
- **Europe** – JD has gained further momentum with a net increase of 52 stores with new stores in all of our existing territories together with our first store in Austria. JD now has in excess of 300



stores across mainland Europe with a presence in 12 countries. The material developments in the year have been as follows:

- **France:** We now have 71 stores in the country with four stores in new locations complemented by the conversion of six former Chausport stores in locations where we believe that the JD proposition is more appropriate to the particular local market. We also relocated two stores in in the key cities of Paris and Marseille to larger space thereby enabling us to present a fuller offer to the consumer
- **Spain:** We now have 61 stores in the country with 10 stores in new locations complemented by the conversion of a former Sprinter store in Granada. We also relocated one store in a mall in Madrid to larger space which, again, gives us the opportunity to present an enhanced offer
- **Germany:** We now have 60 stores in the country with 12 stores opened in new locations in the year
- **Italy:** We now have 33 stores in the country with eight stores opened in new locations in the year

The average size of the new stores opened in the year across Europe was 3,775 sqft which is an increase of 25% on the previous year with the larger footprint



a reflection of our increased confidence of consumers' appetite for the full JD proposition in these markets.

Our previously stated ambition of opening one store on average per week across Europe reflects a world before the COVID-19 outbreak. Whilst the number of openings this year will be reduced, we would still anticipate opening at least 30 stores including a flagship style store on the key street of Rue de Rivoli in the centre of Paris which we expect to open later in the summer.

- **Asia Pacific** – At the period end there were 64 stores trading as JD across the region with a net increase of 18 stores in the period:
  - Australia: We opened nine stores in the year with additional stores in Sydney, Melbourne, Perth and Brisbane together with our first store in Newcastle
  - Malaysia: We opened two stores in new locations and relocated our store in Mid Valley, Kuala Lumpur with 13 stores open at the end of the year
  - Singapore: We opened a further two stores in the year doubling our portfolio to four stores
  - Thailand: We opened a further two stores in the year doubling our portfolio to four stores
  - South Korea: Over the year we increased our store base from 16 stores to 19 stores with one store in a new location complemented by a further two conversions of stores previously trading as Hot-T. We also relocated our store in Myeongdong, Seoul. One further store has opened subsequently in Lotte World Mall, Seoul.

- **United States** – There were 11 JD stores trading at the end of the year with one new store at Lincolnwood, Illinois complemented by the conversion of a further five existing Finish Line stores. Two of the conversions, Mall of America (Minnesota) and Deerbrook Mall (Houston) were 'full' conversions with the installation of the full JD retail systems across all product categories. The remaining three stores, Mall of Georgia (Atlanta), Cumberland Mall (Atlanta) and Roosevelt Field (New York) were 'lite' conversions with the installation of fixtures for apparel and changes to the signage although the existing Finish Line footwear systems were largely retained. These 'lite' conversions require less non-trading time and can be delivered with substantially less capital investment.

Whilst the exact timing of works will need to reflect any ongoing local restrictions, we would anticipate converting at least a further 20 stores to JD in the year to January 2021 with the majority being converted in the 'lite' style. We have also now been able to recommence works on the fit out of our flagship store in Times Square, New York which we anticipate will open later in the summer.



#### SIZE?

Size? specialises in supplying the finest products from the best brands in footwear, apparel and accessories with stores and dedicated local websites in nine countries. With these websites now contributing more than 50% of overall sales then the consequence from a property perspective is that we would not expect to materially increase the number of stores in our existing territories with the focus on ensuring that our stores in the major cities have sufficient space to present the full offer and provide the full digital experience to both consumers and our third party brand partners. During the year, two smaller stores were closed with two others converted to other Group fascias, including the store in Nottingham which now trades as The Hip Store.

#### FINISH LINE

In addition to the conversion of five former Finish Line stores to JD, we have also closed 17 underperforming Finish Line stores as we continue the process of rightsizing the retail estate. The store portfolio is under constant review with decisions on the future strategy of each store made on a case by case basis taking into account a number of factors including the cost of the property and trends on both sales and footfall. Prior to our acquisition of the business in 2018, there had been a lack of investment in the retail estate over a number of years and we have now started the process to correct this where we believe it will provide a long term sustained improvement in performance. During the year, we refurbished 67 stores of which seven were full conversions to Finish Line's 'Store of Now' concept with the remainder being 'lite' conversions which are largely focused on the installation of fixtures to display an expanded apparel offer. One new store was opened at the Freehold Raceway Mall, New Jersey.

## 67 FINISH LINE STORES REFURBISHED

Elsewhere, there has been a further reduction in the number of Macy's branded concessions with a net decrease of 54 branded concessions in the year. This includes a number of locations which were a consequence of the closure of the Macy's host store.

#### CHAUSPORT

In addition to the six stores converted to JD, we have also closed a further six smaller stores which had an average retail area of less than 1,000 sqft each. Whilst we would not expect a significant expansion in the Chausport portfolio at this time, we will invest in the portfolio where it is appropriate to do so with the closures offset by three new stores which were opened in the year.

#### SPRINTER

Having transferred the Sport Zone stores in Spain to Sprinter in the previous year, the focus in the year to January 2020 has been on integrating the Sport Zone businesses in Portugal and the Canary Islands into the Sprinter operational infrastructure. Consequently, there was less activity than in previous years with a net increase of three Sprinter stores in the year with five stores opened, one store closed and one store converted to JD. The average retail footprint of the stores opened in the year was 6,200 sqft which is consistent with the smaller spaced openings in recent years and represents the most effective trading space for the Sprinter core offer.

We firmly believe that our combined Sprinter and Sport Zone proposition, which has a greater emphasis on active sport participation and fitness, will emerge from the COVID-19 outbreak in a robust position with their operations already structured appropriately for the future.

**SPORT ZONE**

- **Portugal** – Two smaller stores were closed in the year as we look to shape the portfolio longer term. We have also now started to invest in the estate with approximately 40 stores refurbished in the year. Whilst the stores are operated by the Sprinter management team in Spain, we have retained the Sport Zone banner in Portugal as it has significant goodwill with consumers.
- **Canary Islands** – We have now converted the stores to the Sprinter banner leveraging from Sprinter's strength in mainland Spain. We have also opened one new store on the island of Tenerife.

**PERRY SPORT AND AKTIESPORT**

We continue to take action on the retail estate where it is necessary with a further six stores closed in the year. We remain committed to the business and continue to make limited investments where they enhance our proposition with two new stores opened in the year.

**HOT-T**

After closing six stores and converting a further two stores to JD in the year, only two stores continue to trade as Hot-T.

**FASHION FASCIA**

Our Premium Fashion businesses further elevate our overall offer. We have made further selective complementary acquisitions in this area with the principal elements of our proposition now comprising:

- **Scotts & Tessuti** – This has been a year of consolidation within Scotts and Tessuti as we look to exit smaller stores in secondary markets and focus our activity on larger space stores in premium centres where we can showcase the full range of the premium fashion offer. One Tessuti store was opened at the premium Fort Kinnaird Retail Park in Edinburgh with six stores closed.
- **Choice** – Choice was acquired in the previous year with six stores in the London area. As a retailer of premium men's, women's and children's apparel

and footwear, it has many similarities with Scotts and Tessuti with the management of the businesses working increasingly close together to deliver a consistent proposition in this sector.

- **Base Childrenswear** – Base was acquired in the previous year and is a specialist retailer of children's premium apparel and footwear. We have now extended the reach of Base beyond its London heartland with the opening of a new store in Birmingham.
- **Kids Cavern** – Kids Cavern was acquired in the previous year and, similar to Base, is a specialist retailer of children's premium apparel and footwear. One store opened in the year in the Trafford Centre, Manchester to complement the existing two stores in Liverpool.
- **The Hip Store** – The Hip Store continues to bring together an eclectic mix of domestic and international labels including emerging talent and globally-established brands. The Hip Store has been an institution in Leeds for over 20 years with a second store in Nottingham, opened in the year following the conversion of the former Size? store in the city.

**OUTDOOR****BLACKS, MILLETS AND ULTIMATE OUTDOORS**

Our approach continues to be to keep leases flexible with break clauses wherever possible so we can react quickly if market conditions change. Our policy of flexibility means that the store portfolio, particularly with regards to Blacks and Millets, continues to evolve:

- **Blacks** – One new store opened in the period
- **Millets** – The Millets store portfolio has seen further change during the year with three new stores opened and four stores closed. We have also converted one high street in Southport, to Go Outdoors to test the performance of this fascia in smaller space.
- **Ultimate Outdoors** – Six stores continue to trade as Ultimate Outdoors

**GO OUTDOORS**

The onset of COVID-19 has added a new material uncertainty to the recovery of Go Outdoors as it is more sensitive to reductions in footfall compared to other Outdoor fascias in the Group consequent to its disproportionate reliance on physical store sales combined with a low average contribution per store. The potential future risk from lower footfall then brought into sharper focus the inflexible terms of the property leases in Go Outdoors with the stores having an average remaining period to lease expiry of approximately 10 years with upwards only rent reviews, many of which are fixed at rates above inflation regardless of the market rent in the location.

Following the onset of COVID-19, the future viability of Go Outdoors became materially uncertain with the enforced closure of the stores on 23 March 2020 bringing into sharper focus the underlying structural weaknesses of the business. In particular, the performance of Go Outdoors is very dependent on levels of footfall into stores due to its disproportionate reliance on physical store sales which, historically, have represented more than 90% of annual revenues. Further, the terms of the property leases in Go Outdoors were very inflexible with the stores having an average remaining period to lease expiry of approximately 10 years with upwards only rent reviews, many of which are fixed at rates above inflation regardless of the market rent in the location.

As has been widely reported, reduced consumer confidence and the requirement to maintain social distancing in stores have resulted in levels of footfall not returning to pre-lockdown levels. This, combined with the inflexible lease terms, resulted in the Board deciding that it was not in the best interests of the wider Group, and its shareholders, to provide continued financial support to Go Outdoors in its current form. Accordingly Go Outdoors entered into administration on 23 June 2020.

The Board considered a number of strategic options for Go which included the appointment of advisers in May 2020 to market the business for a potential sale. The Board examined the offers made through the marketing process together

with the other options available to it and ultimately determined that, if fundamentally restructured, Go had a future in the Group. Consequently, the Group, via its newly incorporated subsidiary JD Newco 1 Limited, subsequently re-acquired the business and substantially all of the assets of Go Outdoors from its Administrators with this proposal being reviewed and cleared in advance by the independent Pre Pack Pool.

The Group continues to determine which stores it wants to trade from longer term and has already commenced negotiations with landlords for new leases with terms which are structured more appropriately.

Prior to Go Outdoors entering into administration, we had started to integrate the Fishing Republic business into the Go Outdoors stores by creating dedicated areas for fishing product where space allows. As a consequence, we did not need a large number of stand alone Fishing Republic stores with a net nine stores closed in the year.

**TISO, ALPINE BIKES AND GEORGE FISHER**

One underperforming smaller space store at Ratho, near Edinburgh, was closed in the year with Tiso having 13 stores at the end of the year with 12 stores in Scotland, consisting of nine Tiso Outdoor Experience stores and three stand alone Alpine Bikes stores, complemented by the highly regarded George Fisher store in Keswick.

For a complete table of store numbers see pages 28 to 30.

**Peter Cowgill**  
Executive Chairman  
7 July 2020

## OUR PEOPLE

The talented individuals working with the Group are integral to our continued success, delivering exceptional results year after year.

As the JD Group expands globally, so does the network of people who operate in accordance with our company values and standards. This is successfully achieved by focusing on the recruitment, wellbeing and development of our people who have what it takes to thrive within this fast-paced and exhilarating business environment.

Our colleagues now face a different challenge and the safety of them, and our consumers, will always be our number one priority. We look forward to the point when the situation normalises and we are able to resume our progression giving our colleagues the opportunities to develop their individual careers and achieve their personal ambitions.

### TALENT ACQUISITION

Over 56,000 people work within the Group all over the world. We attract the very best talent to our teams and acknowledge the continuation of this process as an important factor in the Group's evolution.

### GENDER SPLIT

	Male	Female	Total	% Male	% Female
Plc Board	5	2	7	71%	29%
Senior Managers*	322	106	428	75%	25%
Other employees	28,924	27,326	56,250	51%	49%

The breakdown for the comparative period, as at 2 February 2019, is set out below:

	Male	Female	Total	% Male	% Female
Plc Board	5	1	6	83%	17%
Senior Managers*	291	116	407	71%	29%
Other employees	25,773	23,824	49,597	52%	48%

\* Senior Managers are defined as:

1) persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than Company Directors

2) any other Directors of subsidiary undertakings

Our careers websites enable prospective employees to see up to the minute vacancy information across all of our stores, offices and distribution centres.

Our careers sites have over 600,000 users registered internationally with just over 4,500 vacancies being filled on the system in 2019.

In addition to the company's careers site, the JD Group is actively engaged on digital platforms such as LinkedIn. The Group has also participated in numerous presentations at university careers fair exhibitions around the country. We continue to explore additional avenues to promote our attractive employment proposition to the industry leaders of tomorrow.

### WHO ARE OUR PEOPLE?

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 gender, marital status, sexual orientation, age, race, religion, ethnic or social origin or disability.

### WELLBEING

Employee wellbeing is very important to the Group and we have taken a holistic approach to promote health and wellbeing through different business areas as follows:

2019 saw the introduction of Wellbeing Champions within the Group. 161 individuals have been selected and trained on how to spot signs of modern slavery and how to support employees who are having mental health difficulties in an empathetic, sensitive but practical way. We are looking to expand this initiative further throughout all areas of the Group in 2020.

Our training strategy has been developed to include the following:

- First Aid and Mental Health First Aid training available to all employees.
- Over 900 employees from our Distribution Centre and Head Office have attended at least one of our 108 behavioural training sessions on subjects ranging from communication skills to managing conflict.
- Our Wellbeing Champions have been fully trained in Modern Slavery Awareness and are at the forefront of supporting the business' communication on this with the wider workforce.

The Group also promotes the physical wellbeing of employees via discounted rates at JD Gyms for all employees. We also continue to encourage and organise numerous physical activities across the business.

Our partnerships with external bodies provide access to additional support to our employees regarding their emotional, physical, vocational and financial wellbeing.

We continue to improve communication throughout the Group via my hub, our human capital management system, Facebook Workplace, our HR Advice hub, employee forums and our Your Voice initiative. Our People 1st magazine also continues to deliver Group news to all Head Office, Distribution Centre and Retail sites across the business.

The Group offers different flexible working arrangements, for example; part-time hours, job-share and a core hour working policy to promote work-life balance.

### DEVELOPMENT

A vital component of the Group's strategy is our commitment to the development of our People, whether this is our focus on internal progression or ensuring the talent we acquire is provided with the very best resources and knowledge to excel in their careers.

Our learning strategies provide our colleagues with access to a blend of e-learning, face-to-face tuition and experiential learning.

### GLOBAL MOVEMENT

Under JD's Tier 2 Sponsorship Licence we have recently been approved entry to the Intra Company Transfer category. This allows employees from our overseas operations to work within the UK.

We also have opportunities for our UK colleagues to work globally, enabling us to cross-pollinate territories with the required company knowledge and expertise with increased fluidity.

### LEADERSHIP DEVELOPMENT

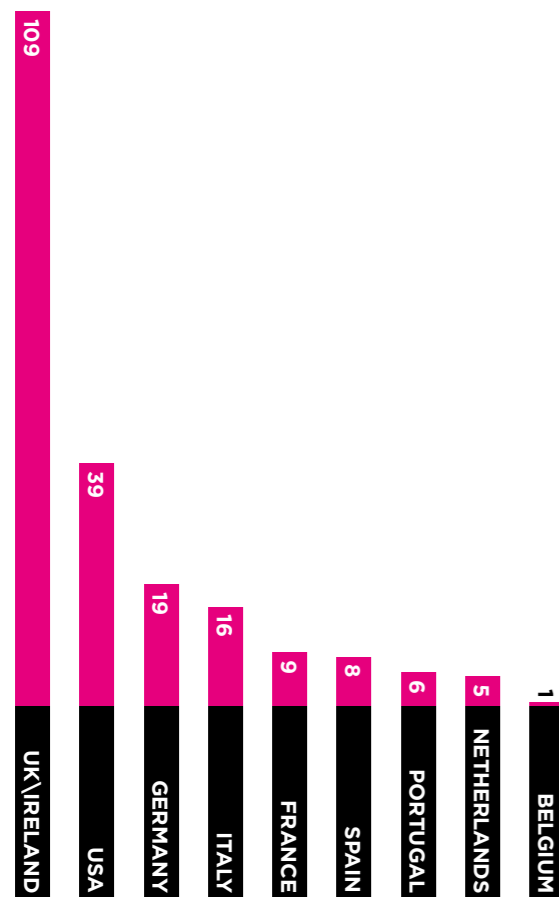
In 2019 a further 58 people completed the 16-week Management Development Programme for Head office and 8 people completed the Leadership Development Programme aimed at leaders wishing to further develop their skills.

### FACE-TO-FACE TRAINING

The reach of digital learning has been an incredible benefit to the business, the JD Group acknowledges the need for traditional classroom-based training to ensure our teams are achieving their full potential.

Our international network of training facilities have hosted a broad range of courses during 2019, providing tuition and accreditation for 433 newly appointed store managers and almost 1,000 supervisors as well as delivering capability and behavioural skills training to a further 1,500 employees.

## OUR GLOBAL ACADEMY



Graduates by Country 2019

Our established retail academy has been at the forefront of exporting JD's DNA across all countries in which the business operates.

2019 was a landmark year for the academy, seeing 212 graduates across all territories successfully completing a 10-week programme that provides them with all the tools required for a successful career in retail management. With over 100% increase in the number of graduates from 2018, the retail academy continues to go from strength to strength.

### E-LEARNING

The JD Group's e-learning platform is an integral part of ensuring employees throughout the business adhere to the correct operational standards.

Almost 4.5 million minutes of e-learning were completed by our employees in 2019. Our e-learning was also introduced to JD South East Asia during the year bringing further consistency between our international territories and the Group's successful UK model.

### MULTICHANNEL GRADUATE SCHEME

The Multichannel Graduate Scheme offers new graduates invaluable experience. Working through a two-year personalised programme, successful applicants have the opportunity to perform and train in a variety of roles, offering insight into multiple disciplines in order to develop a well-rounded understanding of e-commerce, whilst building strong relationships across the department.

At the end of the two years a final role is chosen based on each colleague's strengths and interests. 2019 saw the scheme launch internationally for the first time, with 3 graduates joining us from Spain. The programme has helped develop some excellent colleagues and offers new graduates the chance to try different roles before they decide on their career path.

### THE FUTURE

Notwithstanding the challenges caused by COVID-19, the Group has a number of key aims to further improve the wellbeing and development of our colleagues.

The Group will be continuing its focus on employee wellbeing throughout 2020 and beyond.

Our Business Reward team is set to grow throughout the year, providing a function dedicated to improving our employee experience.

### APPRENTICESHIPS

In 2020 we aim to grow the number of apprentices in the business and the number of apprenticeship standards available to new recruits and existing employees as part of their career development.

### RETAIL ACADEMY

The leap in number of graduates from our retail Academy from 2018 to 2019 was astounding. Whilst COVID-19 will inevitably constrain the number of graduates this year, the expansion of the Academy's capacity means that we will be looking to resume our positive momentum in our graduate programme in 2021.

### MY HUB

The Group's human capital management system is crucial to how we continue to communicate with our colleagues. Employees have never been so connected with the business. The my hub mobile app went live in 2019. This year will see the remainder of the UK estate migrating to the system and further exciting benefits are expected to be delivered across the Group by my hub in 2020 and beyond.

### FURTHER OPPORTUNITIES

As a growing business, we are enthusiastic about providing our colleagues with the chance to grow with us. Our International Talent Pool, provides colleagues with the opportunity to register their interest in working in any of the territories in which the Group operates.

### POST COVID-19

As the COVID-19 pandemic continues, the business will continue to review and adapt any safeguards put in place whilst adhering to the specific government advice in each of our territories.

## HEALTH AND SAFETY

We are fully committed to continuous health and safety improvement across all areas of the Group and understand that it is the way we work and behave that protects our colleagues, customers and other stakeholders.

Occupational Health provision provides health checks and support for employees and also enables the business to promote healthier lifestyles. The Retail Trust is also a

key component of our wellbeing strategy, providing a free, confidential support service that aids the emotional and financial wellbeing of our people, their families and direct dependants in times of need.

Our organisational structure defines individual safety responsibilities and duties to ensure that we provide and maintain safe and healthy working conditions, equipment and systems of work for all our colleagues.

We demonstrate this commitment through active leadership, promoting best practice and by setting specific and measurable targets each year. Our performance against these targets is reviewed and reported upon regularly and we will ensure that adequate resource is provided to enable their achievement and ensure the effective management of risk within the Group.

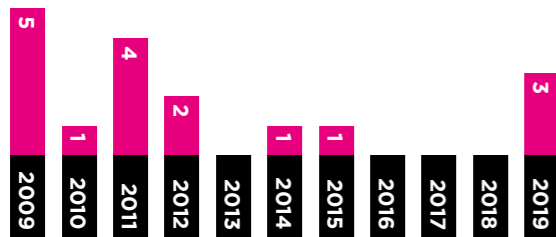
As the widely dispersed nature of the Group store base increases the risk of breaches in health and safety standards and regulations, consequently we have increased the resource in this area. If breaches do occur we take appropriate action and use the experience to ensure even greater focus on health and safety improvement for the benefit of the public, our customers and our employees.

We can report the following for the year:

- We maintained the British Safety Council 'Five Star' accreditation for the third successive year for safety management at our Kingsway Distribution Centre, demonstrating our ongoing commitment to both excellent health and safety standards and continuous improvement.
- The Royal Society for the Prevention of Accidents has awarded the Group a Gold Award for its overall health and safety performance during 2019.
- There have been three Local Authority or Fire Authority enforcement notices served on the Group. In each case we took immediate action, complied with all requirements and as a result the notices were withdrawn.

The table on the next page shows the number of enforcement notices served on the company over the 10-year period since 2009.

### ENFORCEMENT NOTICES SERVED 2009-2019



Our commitment to continuous health and safety improvement is demonstrated by:

- The further development across the Group of our web based, online induction and training programme ensuring every colleague has the competence, understanding and awareness to work safely and at minimum risk.
- Health and safety input in all our new and refitted stores from the initial design through to opening. Our health and safety team conducts its own audit programmes to ensure the highest safety standards are maintained during the construction phase of all our shop-fit projects.
- Our policies and processes review that aims to ensure best practice in all areas of our business. During the year we have reviewed and revised our Group Health and Safety Policy to reflect organisational and business changes.
- Our quarterly Group and monthly distribution centre health and safety committee meetings, allow colleague engagement in health and safety, with everyone having the opportunity to raise safety concerns through their committee representatives.
- Bi-annual health and safety meetings held in all other European countries in which we operate.
- All UK Group companies with warehousing and distribution activities receive bi-annual internal health and safety audits to support our aim of ensuring compliance with Group health and safety standards across all areas of the business.

- The appointment of a Health and Safety Officer in Germany to provide specific in country support to the German team.

Our focus in the coming year will be:

- To maintain the British Safety Council accreditation 'five star' accreditation for our Kingsway distribution centre.
- Continued safety management in all our stores and ensuring no Local Authority or Fire Authority enforcement notices are served on the Group.
- To further improve the level of compliance with Group standards across the UK, Europe, Asia/Pacific and the United States.
- The further implementation of our health and safety information, training and record keeping software across all the European countries in which we operate.

#### COVID 19

COVID 19 has presented challenges however we have modified our workplaces, developed and established revised working practises and introduced visual reminders to ensure the safety of our colleague and customers at this difficult time.



## ENERGY AND ENVIRONMENT

### ESG - ENVIRONMENT OVERVIEW

The Group understands the importance of responsible energy usage as part of our contribution to combatting the challenges of climate change. We acknowledge the necessity of responsible energy usage, and proactively encourage the reduction of carbon emissions, and our collective obligation to reduce our environmental impact within local environments. During the period, a number of initiatives and reviews have been completed, resulting in a more detailed and comprehensive Group approach to sustainability and ESG (Environmental, social and governance).

Independent verification of the Group's continued progress on management and reduction of our environmental footprint was provided by our score from the January 2020 Carbon Disclosure Project (CDP) report. The Group retained its high 'B' score, outperforming both our benchmark category (Discretionary Retail) and the wider European sector average score by two grades. The CDP is recognised as a platform where investors, companies and cities take action on sustainability by measuring and understanding their management approach and impact achieved. Our CDP participation enables the Group to benchmark performance against industry peers, ensuring our strategy on carbon reduction is independently reviewed against comparable businesses.

Beyond our CDP score achievement, we have continued our support of, and compliance with the UK Government's Carbon Reduction Commitment, and working towards the transition of the new Streamlined Energy and Carbon Reporting (SECR) regime. Furthermore, we have fulfilled our Energy Savings Opportunity Scheme (ESOS) and Energy Efficiency Directive (EED) commitments, assisting the reduction of our environmental footprint and improving resource efficiency across the UK and Europe.

After the Group's FTSE100 entry, we made further commitment improving our sustainability and environmental performance by establishing an ESG Committee. The Committee shall determine our future ESG strategy, monitor adherence to our existing documented Sustainability and ESG standards, and shall oversee plans for the introduction a new 'ESG and Sustainability Policy Framework' during 2020.

### ESG - KEY ACHIEVEMENTS:

- We advanced our reputation as a sustainable organisation through increasing the number of environmental performance benchmarks that we measure ourselves against. These include joining RE100 (the world's most influential companies, committed to 100% renewable power) to demonstrate our public commitment to renewable energy. We have also completed our first CDP Forests questionnaire.
- Undertaking measures to improve communication on our matters of current public and media interest (e.g. plastic usage). During the period the Group re-launched its corporate website - a reference point for our ESG statements, achievements and strategy, enabling greater transparency on our practices and progress.
- Continuing our progress on moving JD European stores to 100% 'Green Energy' usage, consistent with our current policy in the UK and Republic of Ireland. During the period, JD France and Chausport moved to 'Green' energy supply. Through membership of the RE100, we have publicised our target of 100% renewable electricity use for our European operations by 2022, with the ambition for all existing global operations to be renewable by 2025.

### ENERGY MANAGEMENT - BASIC PRINCIPLES

The Group's core business is retail. Throughout our multiple store fascia's, we aim to provide customers with an enjoyable retail experience. This involves displaying the latest products from the very best brands in an attractive, well-lit environment capable of sustaining a comfortable ambient temperature for customers and colleagues alike. The Group accepts that all our businesses (regardless of territory) must be responsible with their respective energy usage and associated carbon emissions. Our recent CDP score demonstrates that we continue to outperform our industry benchmark for this obligation, with work continuing to sustain and improve this strong performance.

### ENVIRONMENTAL PERFORMANCE REPORTING - SUMMARY

During the period, we continued to build upon the success of the Group's long-standing energy reduction achievements and management of environmental issues within our core UK operations. Our environmental performance reporting is supported by a team of key colleagues and specialist energy and environment consultants. Our reporting system captures all key energy usage for buildings and business travel, carbon emissions, water use, waste and recycling, in addition to acting as a register for our audit data for all energy related reporting requirements and legislation.

During the Period, progress has been made in the following areas:

- Improved energy efficiency. Reducing our usage via improved management reporting, greater use of benchmarks and investing energy infrastructure (e.g. 'Smart' metres)
- Reducing organisational waste - by using improved site and DC reporting to increase the number of operationally feasible recyclable waste streams within our core operations

- Production and distribution of quarterly Environmental Performance Reporting for store energy and water usage
- The team has successfully completed and delivered on the Group's data gathering and reporting obligations under the Energy Efficiency Directive (EED) / Energy Saving Opportunity Scheme (ESOS) ahead of the December 2019 deadline
- Collation of Scope 3 emissions data from our major third-party logistic providers. This will assist in implementing our Science Based Target initiative (SBTi) submission this year, supporting the provision of enhanced Scope 3 emission reporting

### ENVIRONMENTAL PERFORMANCE REPORTING - GREENHOUSE GAS EMISSIONS DATA

The Group uses and reports on KPIs for energy usage. During the last year, the Group has engaged the services of a leading third party audit and certification body to audit and verify our Greenhouse Gas (GHG) submissions (in accordance with ISO 14064-3 standards).

Accordingly, the Group can report the figures on the next page, calculated based on GHG Protocol Corporate Standard using emissions factors from UK government conversion factor guidance. The emissions reported correspond with our financial year and reflect emissions from the leased and controlled assets for which the Group is responsible. Emissions are predominantly from electricity use for our UK operations, a significant element of which act as supporting infrastructure for our international businesses.

	2019/2020 Tonnes CO2 Equivalent	2018/2019 Tonnes CO2 Equivalent
<b>EMISSIONS SOURCE:</b>		
Scope 1 (Gas, Transport, Heating oil)	8,979	4,465
Scope 2 (Electricity)	73,597	43,124
Scope 3 (Transport)	27,317	-

(i) Reporting boundaries for 2019/20 (aggregated facilities under operational control) include UK, Australia, Austria (new in 2019/20), Belgium, France, Germany, Ireland (new in 2019/20), Italy, the Netherlands, Malaysia, Portugal, Spain, Sweden & US (new in 2019/20). Scope 1 Transport & heating oil is for our core UK head-office operations.

(ii) Figures above are from the Group's 2020 Carbon Disclosure Programme (CDP) data submission in 2019, the results of which were published on January 20th, 2020. These have been adjusted since our last annual report with verification for our CDP report submission in July 2019

(iii) The figures for gas & electricity are calculated using location-based factors, however we are currently working to report on market-based factors for our 2020 CDP response

(iv) Scope 3 emissions data is from our key strategic suppliers that provide transport and logistics services. This will be further developed with our Science-Based Target initiative workstream this year

Whilst not a mandatory disclosure, the Group remains committed to presenting data appertaining to energy usage and carbon footprint. After improving our reporting mechanisms, the Group is now able to provide its full, actual UK and International energy usage and carbon footprint.

	2020 (UK & ROI)	2020 (INT)	2020 (TOTAL)
Energy Usage - Electricity (MWh)	87,136	94,634	181,770
Energy Usage - Natural Gas (MWh)	18,380	15,436	33,816
<b>Total Energy Use (MWh)</b>	<b>105,516</b>	<b>110,070</b>	<b>215,586</b>
Carbon Footprint (Tonnes CO2)	25,651	55,499	81,150

\* The increase in usage relates to the inclusion of our US operation's and other new territories including Austria.

### ENVIRONMENTAL PERFORMANCE REPORTING - INTERACTION WITH PENTLAND GROUP LIMITED (FORMERLY KNOWN AS "PENTLAND GROUP PLC")

Under the current rules of the statutory Carbon Reduction Commitment Energy Efficiency scheme ('CRC'), the Group's submission to the UK Environment Agency is aggregated with that of Pentland Group Limited which is the Group's ultimate holding company (see note C22). With the Government deciding to close the CRC scheme following the 2018-19 compliance year, this is the last year we will report under this scheme.

### CARBON MANAGEMENT PROGRAMME - 2019/20 PROGRESS REVIEW

Up to, and including the reporting Period, The Group maintained a Carbon Management Programme ('CMP') sponsored by our Chief Financial Officer and reviewed at regular intervals. Following the establishment of the Group's ESG Committee, the management of Carbon, water, waste, and other key environmental measures shall be measured against an updated set of objectives.

To ensure continuity between the last reporting period and this, we have provided an update on in-year progress in the original format (below). The 2020/21 objectives are listed in the next section.

OBJECTIVE	ACTION AND PROGRESS
<b>1. REDUCE ENERGY USAGE IN NON-TRADING PERIODS</b>	The Group has invested in Building Management Systems (BMS) in 372 of its highest energy consuming stores, the majority of which are in the UK. These investments cover all fascias and delivered average annual energy savings of 13.1% compared to usage prior to BMS-install (using baseline figures compared across a number of sites). The BMS-related energy saving equals a carbon reduction of 1,657t CO2. During the Period, we trialled additional energy reduction methods within our BMS sites. In Summer and Winter 2019 we reduced our heating and cooling set-points, decreasing our energy usage and related CO2 impact. BMS shall continue to be installed within new JD stores as standard, with further retrofits and other BMS trials scheduled for the Period ahead.
<b>2. REDUCE ENERGY USAGE THROUGH INVESTMENT IN LIGHTING TECHNOLOGY</b>	Group investment in LED and energy reduction has continued during the Period. Our standard retail lighting scheme uses LED lamps with motion sensors in both changing room and non-retail areas. Our Head Office site in Bury was fully retrofitted with LEDs within the Period, delivering a reduction of over 60% in energy usage vs the previous lighting system.
<b>3. REDUCE ENERGY USAGE THROUGH COLLEAGUE AWARENESS AND TRAINING</b>	Retail colleagues have a key role to play in the execution of the CMP. All new staff receive online training in energy management as part of our induction programme. We have documented and published (via intranet and employee magazines) case study material on our achievements. This 'celebration of success' increases employee awareness the importance of energy reduction.
<b>4. ENSURE THAT THE CMP APPLIES TO ALL BUSINESSES, IN ALL TERRITORIES</b>	For Group acquisition stores, we work closely with local management teams to identify carbon reduction opportunities. Store energy performance reporting has been introduced by Fascia for the UK retail operation and also for JD Gyms. The reporting includes store energy performance league tables (and performance indicators) comparing year on year energy performance. A verified baseline for energy has also been developed to show continual performance improvement. The reporting provided on a quarterly period has allowed the targeting of poor energy performing stores and investigation action to be undertaken.
<b>5. PURCHASE 'GREEN' ENERGY WHEREVER POSSIBLE</b>	100% of the Group's UK and Irish electricity is 'Green' energy from natural, renewable sources. Within the Period, France joined, the Netherlands, Italy, Belgium, Sweden, Finland Denmark and Germany on 100% Green energy. Acquisition businesses are migrated to the Group's sustainable supply contracts (legacy contractual obligation usage).



**2020/21 ENVIRONMENTAL OBJECTIVES**

Our previous reporting on 'Carbon Management Plan' has been replaced by an updated set of environmental objectives, including but not limited to carbon reduction, water-usage reduction, resource management, benchmarking and engagement.

2020/21 ENVIRONMENTAL OBJECTIVE	ENVIRONMENTAL OBJECTIVE - DETAILS
<b>CARBON REDUCTION - ON SITE</b> Reduce carbon usage in trading and non-trading sites via investment in technology	BMS shall continue to be installed within new JD stores as standard, with further retrofits and BMS trials scheduled for the Period ahead. We have planned an LED retrofit for our Kingsway DC, in addition to the implementation of appropriate energy saving solutions in accordance with ESOS report recommendations.
<b>CARBON REDUCTION - EDUCATION</b> Reduce energy usage through colleague awareness and training	Within the Period ahead, we plan to undertake a comprehensive review of our employee sustainability and ESG engagement. The review shall include topics such as energy efficiency, resource usage reduction, resource recovery, the circular economy, Sustainable Development Goals (SDGs) and other areas directly linked to our sustainability objectives.
<b>CARBON REDUCTION - REPORTING</b> Ensure that carbon management and reduction measures are applied to all businesses, in all territories, and by key suppliers	We shall continue to evolve our ESG reporting practices via the development KPIs aligned with our ESG and Sustainability Policy Framework. These will include further reporting of our Scope 3 carbon footprint, and our commitments on implementation of Science-Based Target initiatives (SBTs).
<b>CARBON REDUCTION - PROCUREMENT</b> Purchase of green' (renewable) energy wherever operationally feasible	Continue improving our green energy supply commitments to achieve our RE100 target of 100% renewable electricity use for our European operations by 2022, with the ambition for all existing global operations to be renewable by 2025.

2020/21 ENVIRONMENTAL OBJECTIVE	ENVIRONMENTAL OBJECTIVE - DETAILS
<b>BENCHMARKING AND ENGAGEMENT:</b> Increase Group engagement with a) independent carbon-reduction surveys b) accredited industry bodies c) strategic suppliers	The Group shall remain part of the RE100, updating the forum on our progress throughout the year. The Group will continue to disclose its carbon reduction plans via CDP and CDP Forests submissions, and will continue its engagement with the Retail Energy Forum. The Group intends to increase ESG-related engagement with its largest direct and indirect suppliers on carbon and water reduction, along with wider ESG initiatives.
<b>RESOURCE MANAGEMENT</b> Reducing waste and improving re-use	The Group plans to improve our asset 'take-back' - reducing both waste, and avoiding using the energy associated with the manufacture of the re-used assets. The Group plans to further improve our store and Kingsway DC waste stream infrastructure, including the identification of new and improved revenue waste streams, and 'circular' asset and waste solutions. The Group shall complete its initial research and test solutions for customer take-back on waste streams from stores.
<b>WATER REDUCTION</b> Site level measures	In the Period ahead, the Group intends to reduce overall direct consumption via increasing usage of 'smart' and Automatic Meter Reading (AMR) meter roll-out at high-usage sites within the UK and Europe.



## RESOURCE MANAGEMENT OVERVIEW:

Recycling, plastic, paper and customer packaging

The Group acknowledges the continued increase in public and media focus on the use of plastics, and encourage the ongoing debate and encouragement for an overall reduction in usage of plastic, paper and other packaging materials across all industry sectors.

### PLASTIC, PAPER AND CUSTOMER PACKAGING

With regards to the use of plastic bags for customers, the Group continues to support its belief that encouraging the re-use of bags is the most effective way to reduce overall plastic usage. Our JD fascia is known for its high quality, durable drawstring duffle bags, the re-use of which is visually evident from the high street to the high school.

In 2013 the European Commission adopted a proposal targeting member states to reduce their consumption of plastic bags with a thickness below 50 microns. In the period, the Group's core retail businesses did not use plastic bags below 50 microns. The plastic bags produced by the Group are within and above the DEFRA 50-70 micron 'bag for life' criterion. We continue to remain fully compliant with the carrier bag charge schemes across the United Kingdom. The JD drawstring bag is classed as a 'bag for life' within England and Republic of Ireland.

### PLASTIC - BAG TAX/LEVY DONATIONS

To encourage customer consideration of the necessity of bag use, the Group voluntarily charges for the use/sale of drawstring-bags. Where local authorities permit the donation of bag-levy income, the Group donates all proceeds from carrier bags charges (both voluntarily, and bags covered by the levy) to the JD Foundation. The Group does not reclaim any production or 'administrative' costs from its bag-levy income, and accordingly 100% of (net of VAT) proceeds are received by the JD Foundation, for annual distribution as follows:

- England: £0.32 million received in the period to 1 February 2020. For the period 25% of the funds were passed to Mountain Rescue in England and Wales with the remaining 75% donated to other charitable causes in accordance with the objects of the JD Foundation.
- Wales: £0.01 million received in the period to 1 February 2020. For the period 25% of the funds were passed to Mountain Rescue in England and Wales with the remaining 75% donated to other charitable causes in accordance with the objects of the JD Foundation.
- Scotland: £0.04 million received in the period to 1 February 2020. For the period 25% of the funds were passed to Scottish Mountain Rescue with the remaining 75% donated to other charitable causes in accordance with the objects of the JD Foundation.

Further information about the JD Foundation and its activities can be found on pages 104 to 108.

## RESOURCE MANAGEMENT:

Recycling, plastic, paper and customer packaging - 2019/20 progress review

### RECYCLING

Wherever possible, plastic or cardboard (our major packaging constituent), is removed at the earliest source of our core supply chain (our Kingsway DC). During the year, the amount of cardboard recycled increased to 5,491 tonnes (2018: 4,756 tonnes). In 2019 we outsourced our waste management on-site to a third-party supplier, this has enabled the Group to trial new initiatives such as re-processing used hangers back into our estate via backhauling and reducing our general waste streams through finding different solutions for these materials. We are working towards completed a 'zero waste to landfill' audit at our Kingsway DC by a third-party auditor.

The Group continues to expand its use of the Dry Mixed Recycling ('DMR') schemes to all its stores and businesses in the UK and Ireland, to maximise waste diversion from landfill. In 2019 we diverted 98.6% (2018: 98%) from landfill of our waste.

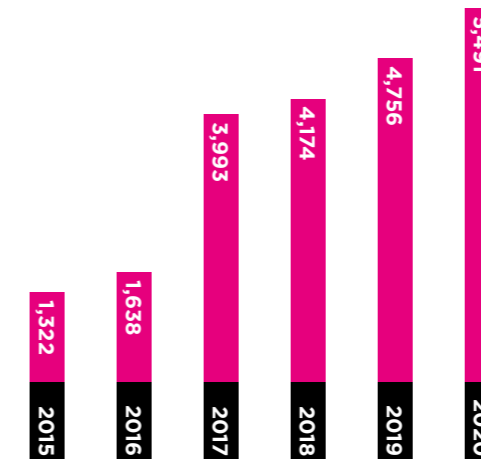
### PLASTIC AND PAPER

Whilst our documented approach to re-use approach is effective, the Group seeks to further minimise the associated environmental impact of customer bags by ensuring that duffle bags are made from 50% recycled material, up from 33% in the previous period. The 50% recycled material specification is in use across our UK, European and SEA operations. Our U.S and Australian businesses work with in-country suppliers to minimise carbon usage arising from transportation, and will be aiming to increase from 33% to 50% recycled material by the end of the next period. We have taken pro-active measures to provide customers with more support on reducing plastic usage via re-using and recycling, and plan to trial the effectiveness of plastic-bag recycling/take-back within some of our core locations.

In line with territory legislation, the Group uses paper-based bags rather than plastic bags in its stores in the Republic of Ireland, Belgium, Germany, selected Spanish regions and Malaysia. The Group is mindful of paper's higher level of pre-manufacture carbon emissions versus plastic, and works to ensure that whole-life carbon emission and environmental impact is assessed when reviewing bags and packaging for any new territories.

Our Blacks and Millets fascias successfully ceased production of plastic customer bags during the period, adopting an attractive paper design that we believe will encourage further re-use, in keeping with our key plastic and paper re-use and lifecycle environmental impact assessment objective. Similar to the progress made by Millets and Blacks, our GO Outdoors business is moving new stores to an improved paper design, in addition to reviewing the potential of selling heavy-duty 'bags for life' specifically targeted for customer re-use as part of outdoor activities.

TONNES OF RECYCLED CARDBOARD AT KINGSWAY DC



**CUSTOMER PACKAGING - ECOMMERCE**

The group completed a material specification and commercial review for our core UK distribution sites for our online packaging. This resulted in our fixed size plastic mailing bags now being made from up to 97% recycled material, and our card packaging is now made from 100% recycled material. By choosing to use recycled plastic material (avoiding virgin material) we achieved an annual equivalent embodied carbon saving of 490t CO<sub>2</sub>e. New messaging has also been introduced to provide further guidance to our customers of how they can dispose these materials.

**MICROPLASTICS - CUSTOMER BAGS**

In accordance with the prevailing market research at the time the Group, in line with a number of other retailers, historically adopted the use of additives to try and catalyse the degradation process of higher-volume low-density polyethylene (LDPE) customer bags.

The Group took the decision to remove degradable additives from our bags in late 2018, on the basis that there is little direct evidence of even medium-long-term degradation within samples of its additive containing customer bag products. Indeed, both DEFRA (Department for Environment, Food and Rural Affairs) in their 'Review of standards for biodegradable plastic carrier bags' and UNEP (United Nations Environment Programme) in their 'Review of standards for biodegradable plastic carrier bags' concluded that there is a lack of evidence for the biodegradability of carrier bags in an unmanaged environment. Further, describing a bag as degradable is often an (unintentional) regressive measure owing to 1) removal of responsibility from the individual using the bag and 2) 'degradable' or 'biodegradable' bags containing insufficient instructions on the exact environment required to achieve material degradation and 3) a lack of local infrastructure to support the disposal and collection of degradable materials.

Accordingly, the position of Group remains that we do not use degradable additives within our plastic bags, and continue to remind our customers of the importance and value of multiple re-use. Encouraging the re-use of items such as bags reduces the overall demand for raw materials, and thus is the most influential way to reduce overall resource usage, whether plastic or paper.

**ESG - ENVIRONMENT SUMMARY**

The Group recognises the importance of protecting our environment and is committed to carrying out our activities with due consideration for our environmental impact, particularly with regard to; reducing carbon, energy and water, ensuring efficient use of energy, and using life-cycle analysis to determine overall impact on environment. The Group complies with all relevant legislation and best industry practice, and continues to minimise waste by using the simple principles of reduction, reuse and recycling across all resource intensive activities under our remit or control.

**ETHICAL SOURCING**

2019 saw the introduction of our Code of Practice encompassing our policies into a concise document for our manufacturing suppliers and brands. The JD Sports Fashion Plc Ethical Code of practice is to establish a procedure for protecting workers and providing assurance that our products are manufactured within safe and fair conditions. The Ethical Code of Practice applies to everything we do and forms part of the contract with us. The people working for our suppliers are to be treated with respect, their health and safety and basic human rights must be protected and promoted. The JD code of conduct is included in this document which follows the ILO minimum standards. To find out more about our Ethical Code of Practice, please visit our corporate website.

**JD CODE OF CONDUCT: MINIMUM STANDARDS****EMPLOYMENT IS FREELY CHOSEN - THERE MUST BE NO FORCED LABOUR, BONDED OR INVOLUNTARY.**

The organisation shall not engage in or support the use of forced or compulsory labour, including prison labour, shall not retain original identification papers. No personnel shall be required to pay deposits to the organisation at any time during or prior to commencing employment.

**FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING MUST BE RESPECTED**

All personnel should have the right to form, join and organise trade union(s) and to bargain collectively on their behalf with the organisation. Where these rights are restricted under local laws the organisation shall allow workers to freely elect their own representatives.

**WORKERS CONDITIONS ARE SAFE AND HYGIENIC**

The organisation shall establish documented procedures to detect, prevent, minimise and eliminate potential risks to the health and safety of personnel. The organisation shall maintain written records of all health and safety incidents that occur in the workplace and in dormitories provided by the organisation, whether it owns, leases or contracts dormitories from a service provider.

The organisation shall provide, for use by all personnel, free access to: clean toilet facilities, potable water, suitable spaces for meal breaks and, where applicable, sanitary facilities for food storage.

**CHILD LABOUR SHALL NOT BE USED**

The organisation shall establish, document, maintain and effectively communicate to personnel and approved subcontractors, written policies and procedures for remediation of child labourers, and shall provide adequate financial and other support to enable such children to attend and remain in school until no longer a child as defined above.

The organisation may employ young workers, but where such young workers are subject to compulsory education laws, they shall work only outside of school hours. Under no circumstances shall any young worker's school, work and transportation time exceed a combined total of 10 hours per day, and in no case shall young workers work more than 8 hours a day. Young workers may not work during night hours.

**LIVING WAGES ARE PAID IN LINE WITH LOCAL LAWS AND FOR A STANDARD WORKING WEEK, OVERTIME MUST BE PAID AT PREMIUM RATE**

The organisation shall respect the right of personnel to a living wage and ensure that wages for a normal work week, not including overtime, shall always meet at least legal or industry minimum standards, or collective bargaining agreements (where applicable). Wages shall be sufficient to meet the basic needs of personnel and to provide some discretionary income. The organisation shall not make deductions from wages for disciplinary purposes.

### **WORKING HOURS MUST NOT BE EXCESSIVE AND MUST BE VOLUNTARY**

The organisation shall comply with applicable laws, collective bargaining agreements (where applicable) and industry standards on working hours, breaks and public holidays. The normal work week, not including overtime, shall be defined by law but shall not exceed 48 hours. Personnel shall be provided with at least one day off following every six consecutive days of working.

### **NO DISCRIMINATION**

The organisation shall not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, national or territorial or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age or any other condition that could give rise to discrimination. The organisation shall not allow any behaviour that is threatening, abusive or exploitative, including gestures, language and physical contact, in the workplace and in all property provided by the organisation, whether it owns, leases or contracts the residences or property from a service provider.

### **REGULAR EMPLOYMENT IS PROVIDED**

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

### **NO HARSH OR INHUMANE TREATMENT IS TOLERATED**

Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

The health & safety of workers is paramount in all areas of our business, direct or otherwise.

The Group continues to review its policies on ethical sourcing on a regular basis. We continuously assess factory ethical and quality management and work with our suppliers to improve conditions in our factories.



# 100%

## REACH COMPLIANT

## REACH COMPLIANCE

The Group continue to monitor REACH performance through a robust due diligence program. We adopted a risk-based strategy to eliminate the use of restricted chemicals in our supply base which was implemented through the below criteria:

- Evaluating certification and accreditations in the 1st and 2nd Tiers
- Focusing on high risk product and components across brands
- Highlighting the risks of small volume orders

This approach has proved successful as demonstrated by our random due diligence testing program in providing product 100% REACH compliant and free from 'Substances of Very High Concern (SVHC)

- Intertek Testing Services (ITS) continue to be appointed as our nominated testing house, publishing the Group 'Substances of Very High Concern' (SVHC) list and testing standards matrix on their web platform. It is mandatory for all of the Group's suppliers to sign up to our platform on ITS and therefore accept our terms and conditions before they are approved into the supply chain.
- We further engaged ITS to assist in training and development of our compliance process for California's 'Prop 65' (Safe water and Toxic enforcement act) and the USA's Federal Hazardous substances Act regulations as required for the sale of apparel in the United States.
- Having previously harvested data from our Mills and Dye houses and visiting selected sites to evaluate their ZDHC compliance (Zero Discharge of Hazardous Chemicals), we are moving into our next phase by engaging with a 3rd party to develop an initial self-assessment tool for management of sustainability and environmental issues in our supply chain. This is in preparation to join the SAC (Sustainable Apparel Coalition) and utilize the Higg Index FEM (Facility Environmental Module).

### **SUSTAINABILITY IN PRIVATE LABEL MANUFACTURING**

JD recognise the need for responsible sourcing, and this includes making sustainability an integral part of our private label production from conception to end product and beyond.

The initial target set in June 2019 was for upwards of 2 million garments to be made from sustainable materials, sustainably grown cotton and/or recycled polyester. From October 2019 to March 2020 the implementation of the research and subsequent strategy resulted in 2.1 million products being available for sale, surpassing this original target. New targets have been set to take us to the end of the year.

The target for 2020 is 4 million garments to be made from sustainable materials.

At this present time sustainability is not cost neutral, one of the reasons for this is availability of supply and demand so considerations must be made from the very start. These are Availability, Affordability, Aesthetics and Performance. It may not always be possible for commercial reasons on some brands that we produce in house to include sustainable fabrics but it is important that we make changes in other. It is important to consider all opportunities no matter how small or insignificant they can appear.

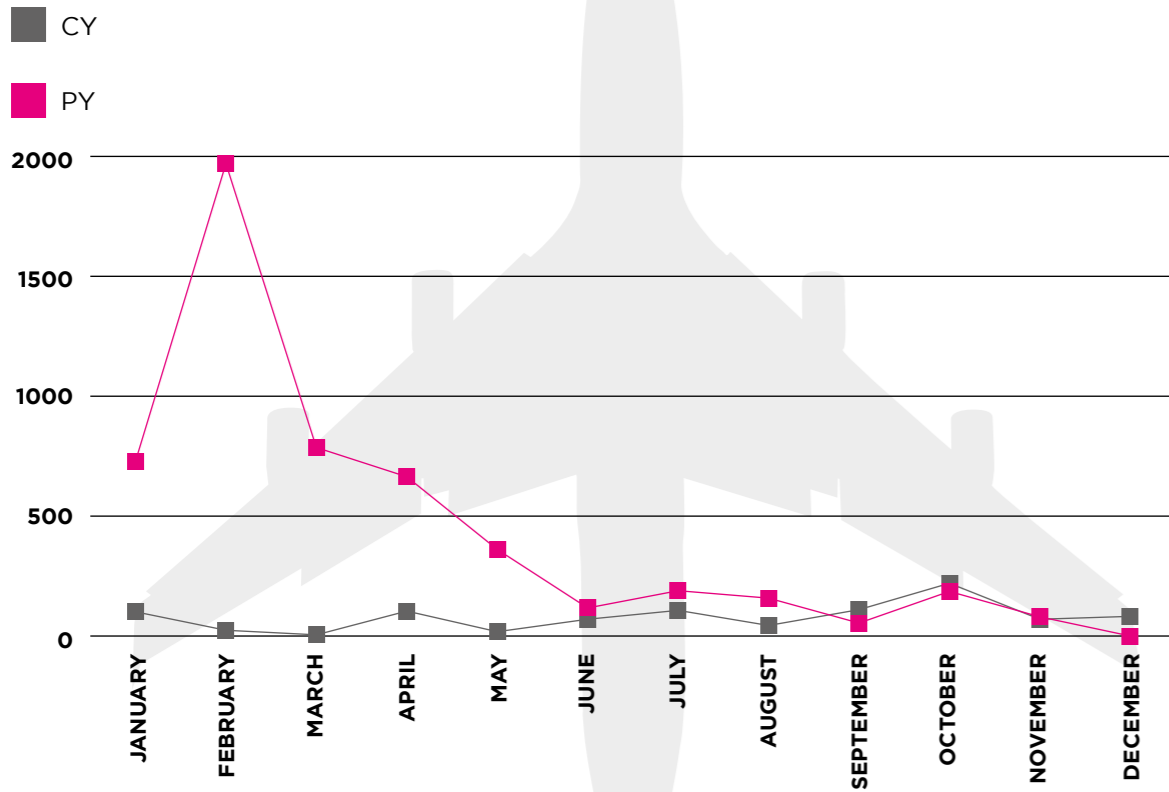
Considerations are to be given to:

- All products
- Recycled Care labels
- FSC Barcode stickers with APEO free adhesive
- Recycled Hangtags/Strings

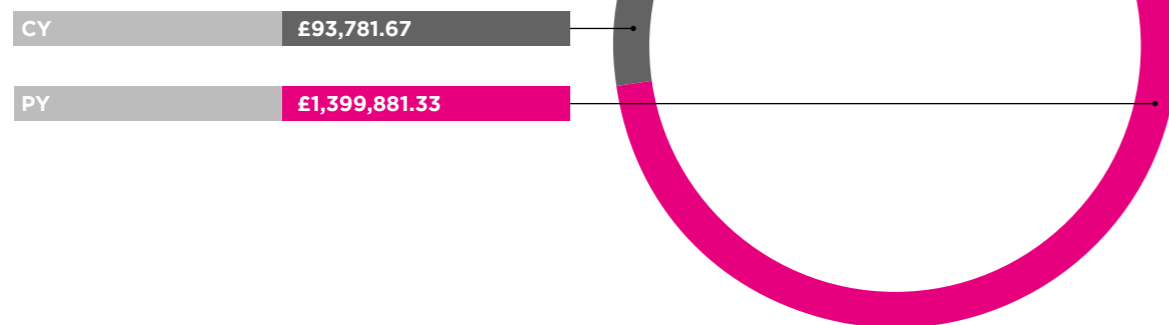
**AIR FREIGHT ANALYSIS (CO2)**



**MONTHLY CO2 TONNAGE**



**ANNUAL AIR FREIGHT SPEND**



**INTERNAL / 3RD PARTY DEVELOPMENT PROCESSES**

- Reducing the packaging on incoming samples. Less plastic usage.
- Less sampling of full garments, using fabric swatches.
- All submissions to be submitted on recycled card.
- Approvals by photograph as opposed to repeat submissions where possible.

abreast of new trends emerging from those involved in labour exploitation and modern slavery and with the collaboration of the GLAA and our supply chain it allows us to adapt and inform efficiently within our operations.

Our Plc website demonstrates the progress we have made, not only with our overseas partners but in our own UK operations with the implementation of Welfare Champions. The welfare champions have already proven

**MODERN SLAVERY**

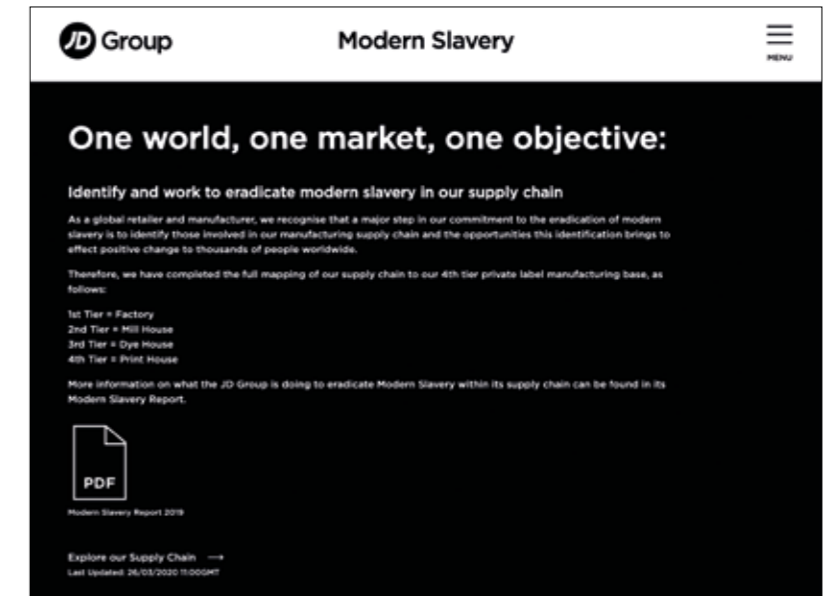
Following the formation of a new UK modern slavery committee within the existing CSR team 2019-2020 has been a milestone within our UK operations and with the collaboration of our 3rd party contractors we have been able to implement the standardisation of our policies across external partners, leading to better understanding of the UK supply chain and work towards integration to the Group Modern Slavery programme.

The Group joined the apparel protocol and is working closely with the GLAA (Gangmasters Labour Abuse Authority) and we were proud to host our first GLAA conference on site at our Kingsway DC. Attendees were invited from the JD supply chain and subsidiaries including our service contractors and JD are committed to working with the GLAA over the coming months to improve our understanding and processes better enabling us to highlight and work to eradicate modern slavery in our UK operations.

At the end of 2019, the CSR team fully mapped our 3rd party warehousing operations in the UK and overseas and are working to identify our external contractors supply chain. This will be expanded to our overseas subsidiaries for inclusion.

Modern Slavery is a constantly changing environment and it is important to keep

to be a vital source of support for the DC staff and this programme has begun its rollout to the head office which will continue over the coming months. It was important to develop a robust escalation process with ultimate responsibility given to relevant senior management to ensure the safety of those who may be affected and that we work within the guidelines suggested by the GLAA and Stronger Together should an investigation be required. Working with the GLAA has ensured that we eliminate risk to both permanent and agency supply. The role of a champion involves training in Modern Slavery, cause and effect and how to spot the signs, but also extends to mental health and general wellbeing. With the involvement of the JD Foundation partner, Papyrus, mental health seminars have been held at the DC involving the appointed welfare champions and senior staff.



**SUPPLY CHAIN**

We have continued to map our supply chain to 4th Tier. This strategy requires continual engagement with our partners as the manufacturing chains beyond first tier will often change due to demand and capacity. As a supplier of fully factored garments, our partnership does not extend to mills and dye houses historically and we recognise the need to develop these relationships further.

- 1st Tier = CMT Site (Factory)
- 2nd Tier = Mill
- 3rd Tier = Dye House
- 4th Tier = Print House
- 243 Agents (2019: 158 Agents)
- 494 Factories (2019: 355 factories)
- 25 Sourcing Countries (2019: 20 Sourcing Countries)

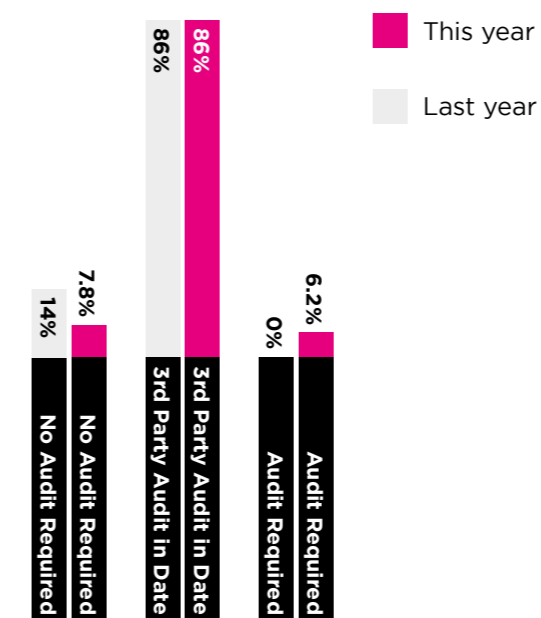
The Transparency map is available on our PLC website.



This map details the city locations of all the above four tiers of the private label manufacturing supply chain.



Additional information relating to the numbers of workers and gender are listed for each of our factories and our audited percentage by country.

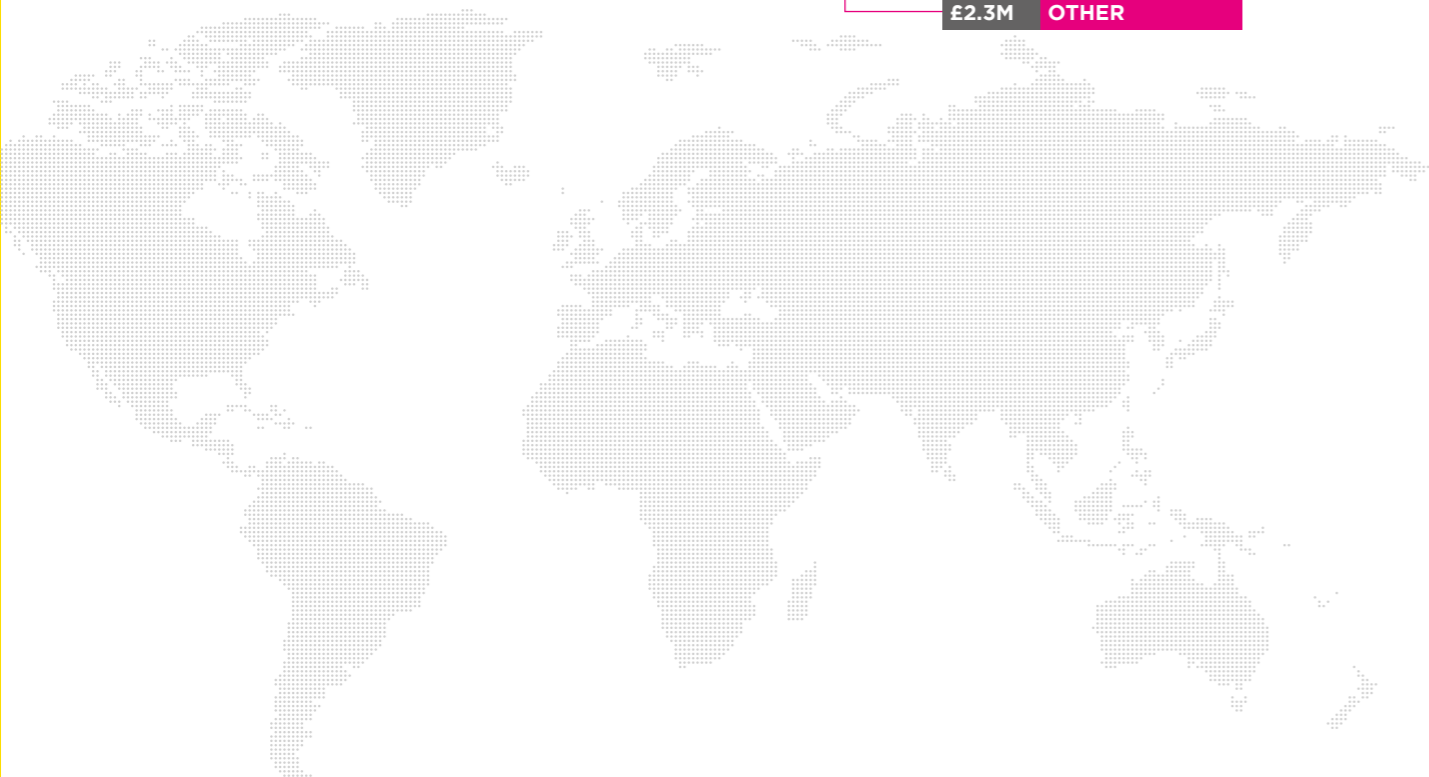
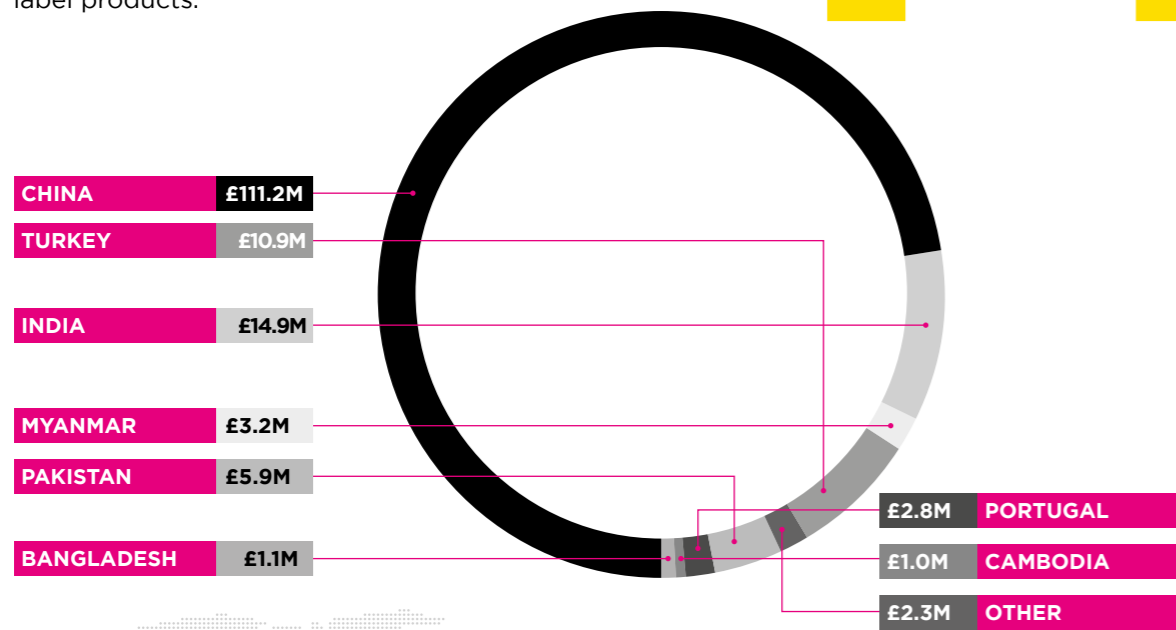


**AUDIT STATUS 2020 Vs 2019**  
 The protection of those workers in our supply chain is paramount and we will continue to have zero tolerance to critical issues identified by the Group Personnel or third party auditors relating to safe working environment. Critical issues are defined as an issue that impacts workers causing hardship or harm. 86% of the factories used by the JD Group are audited by third party accredited audit companies, as shown in the graph below. The 86% represents 100% of the factories where an audit is required. The remaining 14% of factories 7.8% did not require an audit due to the low level of spend or where 2019/20 was the first year that the Group has worked with these factories the remaining 6.2% due to dual sourcing.

**SOURCING OF PRODUCT**

The percentage of suppliers audited has consistently been maintained over 85%. Given that our supply base has continually increased this year at 28% due to new acquisitions and commercial growth which again shows greater coverage of third party ethical audits year on year.

Our main sourcing regions are in Asia, India, Turkey and Pakistan. The chart below illustrates the sourcing value in sterling by country for all entities which source private label products.



# PRODUCTION



It is the aim of the Group to ensure that all entities within the Group should comply with our policies. We will continue to work towards ensuring all subsidiaries embed our policies into their businesses, including those which have been recently acquired.

During the Covid-19 outbreak, the JD Group have not cancelled any commitments in our overseas manufacturing base. The Sourcing and Development teams have worked with the factories to evaluate the manufacture status of all orders and for those orders which will fall out of season due to the lockdown in Europe and the UK, fabrics are to be utilised in full for new orders across our brands. It has been impossible not to halt the production at certain stages, further amplified by countries outside of China also being affected by lockdown in their own countries which has led to manufacture being ceased for several weeks. Sourcing strategies were engaged and implemented in late February to spread the risk and liabilities for both JD and the factories which have proved to be successful.

The long-term partnerships with the supply base has been instrumental in working through the difficulties out of season orders creates and ensuring that liabilities are met for the long term sustainability of both suppliers and the Group. Each country has different evolving situations at varying times and communication is critical to ensuring the safety of all workers and their rights are upheld.

Subcontracting is expressly forbidden without authorisation and verification. The Group regularly visits the factories that we work with to check production and standards. This is critical to promote the importance of longer term relationships; we believe this is the key to the protection of workers' rights and working with the factories to achieve higher standards for workers.

We consider the protection of those workers in our supply chain is paramount and we will continue to have a zero tolerance to critical issues identified either by JD personnel or third party auditors relating to a safe working environment, timely payment of correct wages and minimum standards in line with local laws. Critical issues are defined as those non-compliances that impact workers potentially causing hardship or harm.

**Neil Greenhalgh**  
**Chief Financial Officer**  
 7 July 2020

## CHANGING LIVES, SAVING LIVES

The mission of The JD Foundation is to support charities working with disadvantaged young people in the UK. The JD Foundation (‘the Foundation’) supported 18 charities in 2019 with a focus on physical health, mental health and homelessness.

The JD Foundation is a registered charity, founded by JD Sports Fashion plc in October 2015. 100% of the net proceeds from the sale of the iconic JD Duffle Bag and all carrier bags across the JD Group are transferred to the JD Foundation.

In the period from October 2015 to January 2020, the JD Foundation has raised £3 million to date, with 93% of funds received donated to charity. All monies raised (excluding fees) are distributed amongst the chosen charity partners, with a small reserve left for emergency funding.

The Foundation is committed to distributing 100% of all monies raised, less direct expenses with any residual amounts over amounts committed to the principal partners retained for emergency funding.

### ENVIRONMENTAL CHARITIES

In addition to supporting youth charities, the Foundation also support of Mountain Rescue England and Wales and Scottish Mountain Rescue. For the first three years of this partnership, 2016 to 2018, the Foundation donated 50% from proceeds from the sale of carrier bags in England, Wales and Scotland.

The Foundation have continued the partnership with both Mountain Rescue England and Wales and Scottish Mountain Rescue by donating 25% for a further three years 2019 to 2021.

**£3,000,000**  
TOTAL AMOUNT RAISED






### CHOSEN CHARITIES FOR 2019

The JD Foundation's selection of charity partners support a range of disadvantaged communities around the UK, from those tackling youth homelessness and unemployment, to others providing support for families dealing with undiagnosed heart conditions, terminal illness and bereavement. The Foundation recognises the importance of building a sustainable charity and want to develop long term relationships with charities who are leaving a life changing impression on their beneficiaries.

### SOCIAL IMPACT

A Social Impact Assessment was undertaken in 2019 to assess the impact of the work being done by the Foundations charity partners. A number of interviews, focus groups and questionnaires were completed by the charity partners and a Social Impact Report was written. This will help the JD Foundation expand its reach, continue to support charities in need of funding or support and improve our processes to enable this growth.

For more about the Foundation, please visit on social media:

-  @JDFoundationUK
-  @TheJDFoundation
-  @TheJDFoundation

# CARDIAC RISK 823 YOUNG PEOPLE SCREENED IN 2019

## CARDIAC RISK IN THE YOUNG

With donations from the Foundation, Cardiac Risk in the Young (CRY) has been able to hold ten screening days during 2019, with 823 young people screened and 22 being referred for full cardiac evaluation.

## OUTDOOR WEEKEND 2019

The Foundation held their second outdoor charity event in June 2019 in partnership with Mountain Rescue England & Wales, at the Holcombe Moor Training Camp near Bury. Nine of the Foundation's chosen charities were invited to attend with the young people they support.

The weekend was attended by over 40 Mountain Rescue Volunteers, their search and rescue dogs, and was also supported by the Group Executive Chairman and a number of the Foundation Trustees.



## THE WELLSPRING

The Wellspring charity are a resource center for homeless and disadvantaged people, opening 365 days a year, offering different services available such as housing referrals, health services or educational courses.

The Foundation actively promote a circular economy with product donations; consisting of outdoor jackets, thermals and underwear, to toiletries that the Foundation encourage employees who travel to bring home from hotel stays.



## BUDDIES OF THE BIRCHES

Buddies of the Birches is a registered charity bringing together parents, carers, children and staff connected with The Birches School; a specialist support school. 2019 saw an additional donation from the Foundation to fund the new outside area for one of the schools most complex classes.

## SALFORD FOUNDATION

The Inspired to Aspire mentoring programme is to enable students to discover the skills and attitudes needed to successfully transition from education into the world of work.

# 52

NUMBER OF  
JD EMPLOYEES  
WHO HAVE  
VOLUNTEERED

# 608

NUMBER OF  
STUDENTS WHO  
HAVE RECEIVED  
MENTORING

# 14

SCHOOLS  
TAKEN PART

The Foundation attended the Inspired to Aspire event at MediaCity UK, with the Greater Manchester mayor, Andy Burnham, and other local businesses.

# FOUNDATION



**THE JD FOUNDATION CHARITY BALL**

The Foundation had their fourth anniversary in October 2019, and hosted their own Charity Ball to celebrate.

The event was held at Old Trafford Cricket Ground in Manchester, and saw a drinks reception, gala dinner, special guests John McAvoy and Radzi Chinyanganya.

There were performances from Suggs, We Will Rock You the Musical and Alex Birtwell and his band, plus a special performance from Luci Ormrod, a designer for JD's own brand.

An incredible £130,000 was raised on the evening for the Foundation, and will be split across their charity partners who are in line with the mission of supporting disadvantaged youth in the UK.

**SECTION 172 STATEMENT**

This statement sets out how the Directors have approached and met their responsibilities under section 172 Companies Act 2006 and in particular how the Directors have satisfied themselves that they have acted in a way which is most likely to promote the success of the company for the benefit of its members as a whole and in doing having regard for stakeholders interests. As such, the Board have considered (amongst other things):

- the likely consequences of any decision in the long term. For example, as set out in this Strategic Report, the Board gives significant consideration through the assessment of various board papers to the likely long term benefits to the Group when considering Investment in New Businesses, confirming that it is the Board's ultimate objective to deliver long term sustainable earnings growth to enhance total shareholder returns.
- the interests of the company's employees. For example, as set out in more detail in the Corporate Social Responsibility section, the Board has supported the investment in and development of a human capital management system which has progressed during the course of the financial year to establish a better system of communication with the Group's employees, which has been especially useful during the COVID-19 crisis as it has been necessary to communicate with our people on a frequent basis during this time. Also, as set out in the Directors Report, the Group's employees can raise any concerns they may have in confidence through a series of employee forums led by the Group's HR Business Partners. The outcomes of these forums are included in regular Board updates and discussions with the Board. The Group is now taking steps to further this engagement by establishing a dedicated workforce committee which will comprise of employee representatives from

across the various areas of the business who are able to present their thoughts and feedback to the Board at appropriate intervals.

- the need to foster the company's business relationships with suppliers, customers and others. As set out in this Strategic Report, the Board considers its relationships with suppliers as a fundamental aspect of the ongoing success of the JD Group. This Strategic Report also notes the importance with which the Board takes its responsibility to act in a responsible and ethical manner with all stakeholders including suppliers, employees and customers. And as set out in the Principal Risks Section, with regard to the ESG related risks facing our business, we engage with our suppliers on the reciprocal positioning of ESG within their respective business strategies.
- the impact of the company's operations on the community and the environment. The Board was pleased to be able to provide an extensive update in the Corporate and Social Responsibility section on the progress made from an environmental perspective this year. In particular, the Board has ensured that there has been a focus on key environmental goals during the course of the year, including regarding energy efficiency and waste reduction and has requested Board updates regarding our progress in this area.
- the desirability of the company maintaining a reputation for high standards of business conduct. For example, the Board ensures that the Group operates in a manner which encourages the protection of the people working for our suppliers, such that they are treated with respect and that their health and safety and basic human rights are safeguarded and promoted. The Board has established a JD code of conduct which is shared with all suppliers and follows the International Labour

Organisation minimum standards. As set out in more detail in the Corporate Social Responsibility section, the Board is keen to ensure that, as the JD Group expands globally, so does the network of people who operate in accordance with our company values and standards. This is successfully achieved by focusing on the recruitment, wellbeing and development of our people.

- the need to act fairly as between members of the company. The Board takes its responsibility to its members extremely seriously, as set out in the Shareholder Relations section of the Corporate Governance Report.

This report contains various references to the considerations described above and those comments signposted above should be considered as incorporated by reference into this statement.

By order of the Board

**Neil Greenhalgh**  
Chief Financial Officer  
7 July 2020

**STRATEGIC REPORT**

The strategic report on pages 42 to 110 is approved by the board of directors.

By order of the Board

**Neil Greenhalgh**  
Chief Financial Officer  
7 July 2020





# GOVERNANCE



## PETER COWGILL

**Executive Chairman and Chairman of the Nomination Committee** Aged 67

Peter was appointed Executive Chairman in March 2004. He was previously Finance Director of the Group until his resignation in June 2001. Peter Cowgill is the Non-Executive Chairman of United Carpets Group Plc, Quiz Plc and Roxor Group Limited. Peter is a chartered accountant and founder of North West based chartered accountancy firm, Cowgill Holloway. In 2019, Peter was awarded an honouree doctorate (Doctor of Business Administration) from the University of Bolton for his outstanding contribution to business.



## NEIL GREENHALGH

**Chief Financial Officer** Aged 49

Neil joined the Group in June 2004 and was appointed Chief Financial Officer in November 2018 having been promoted from his previous role as Group Finance Director. Neil previously held a number of senior positions within the Woolworths Group and qualified as a chartered accountant with KPMG in 1996.



## MARTIN DAVIES

**Non-Executive Director, Senior Independent Director, Chairman of the Audit Committee and Member of the Nomination and Remuneration Committees** Aged 60

Martin was appointed to the Board in October 2012. Martin also holds the position of Chairman of Sentric Music Limited. He was previously Group Chief Executive of Holidaybreak Plc from 2010 until its sale to Cox and Kings Limited in 2011. He joined the Board of Holidaybreak Plc in 2007 when it acquired PGL where he had been Chief Executive. He left Holidaybreak Plc in 2012. Previously, he has had roles at Allied Breweries, Kingfisher and Woolworths.



## ANDREW LESLIE

**Non-Executive Director, Chairman of the Remuneration Committee and Member of the Audit and Nomination Committees** Aged 73

Andrew was appointed to the Board in May 2010. He has over 40 years of experience in the retail, footwear and apparel sectors. He was an Executive Board Director of Pentland Brands Plc, from which he retired in 2008. Andrew also held a number of senior positions with British Shoe Corporation, The Burton Group Plc and Timpson Shoes Limited.



## HEATHER JACKSON

**Non-Executive Director, Member of the Audit, Nomination and Remuneration Committees** Aged 54

Heather was appointed to the Board in May 2015. Heather has extensive experience in strategy, change and technology in different sizes of company from FTSE 100 to start up and in different consumer facing sectors. She is currently a Non-Executive Director of Lookers Motor Group plc, Skipton Building Society and Ikano Bank AB. Her former roles have included CIO and COO of HBOS/Lloyds Plc and other director level roles with Capital One, Boots the Chemist and George at Asda.



## ANDY RUBIN

**Non-Executive Director** Aged 55

Andy was appointed to the Board in February 2016. Andy is Chairman of Pentland Brands, a Director of Pentland Group Plc and the European Vice-President of the World Federation of the Sporting Goods Industry.



## KATH SMITH

**Non-Executive Director** Aged 63

Kath was appointed to the Board in May 2019. Kath was previously the GM / Vice President of The North Face EMEA, a VF Corporation company. She has over 30 years' experience of building world leading brands including Mars and Diageo and 20 years' experience within the sporting goods industry where she was Managing Director of both the Adidas and Reebok brands. Kath has also served as a co-opted member of the University of Salford's Audit Committee from 2012 to 2014.

Pages 116 to 121 (inclusive) of the Annual Report, together with the relevant sections of the Annual Report, which are incorporated into these pages by reference, constitute a Directors' Report, which is required to be produced by law and is prepared in accordance with applicable law. The Directors' Report also includes certain disclosures that the Company is required to make by the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules.



#### **FAIR, BALANCED AND UNDERSTANDABLE**

The Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. A summary of the Directors' responsibilities in respect of the Annual Report and Financial Statements is set out on pages 162 to 163.

#### **PRINCIPAL ACTIVITY**

The principal activity of the Group is the retail of multibranded, sports fashion and outdoor clothing, footwear, accessories and equipment.

In accordance with the Companies Act 2006, the Strategic Report on pages 42 to 110 contains a:

- Fair review of the business
- Description of the principal risks and uncertainties facing the Group
- Balanced, comprehensive and understandable analysis of the development and performance of the Group's business, during the financial year, including an assessment of relevant environmental, employee, social, community and human rights issues, together with the Group's Key Performance Indicators; in a manner which is consistent with the size and complexity of the business

The Group is committed to establishing and maintaining good corporate governance practices (as set out in the Corporate Governance Report), which the Board believes is fundamental for retaining effective and long term, sustainable relationships with its key stakeholders.

The Corporate Governance Report (pages 122 to 128) is incorporated by reference into, and is deemed to form part of, this report. For the purposes of DTR 4.1.5R (2) and DTR 4.1.8, this Directors' Report and the Strategic Report, which has been approved by the Board and is set out on pages 42 to 110, comprise the Group's management report.

Details of the Group's use of financial instruments, together with information on policies and exposure to interest rate, foreign currency, credit and liquidity risks can be found in Note 20 to the financial statements. The information included in Note 20 is incorporated into the Directors' Report and is deemed to form part of this Directors' Report.

#### **SHARE CAPITAL**

As at 1 February 2020, the Company's issued share capital was £2,433,083 comprising 973,233,160 ordinary shares of 0.25p each.

#### **SHAREHOLDER AND VOTING RIGHTS**

All members who hold ordinary shares are entitled to attend and vote at the Company's Annual General Meeting, save as set out in the Company's Articles of Association. On a show of hands at a general meeting, every member present in person or by proxy shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every ordinary share they hold. Subject to 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. Details of the interim and final dividends proposed are provided in the Dividends and Earnings per Share section of the Finance Review on page 73.

#### **RESTRICTIONS ON TRANSFER OF SHARES**

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 in a manner which prevents dealings in listed shares from taking place), or which is in favour of more than four persons jointly or which is in relation to more than one class of share
- Certain restrictions may, from time to time, be imposed by laws and regulations for example, insider trading laws
- Restrictions apply pursuant to the Listing Rules (LR) and the Market Abuse Regulation (MAR) of the Financial Conduct Authority. The Company has in place a share dealing policy which includes processes which must be followed to ensure that any transfer of shares activity is conducted in compliance with MAR and the LR and that all Directors and certain Company employees obtain prior approval before dealing in the Company's 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.

**SUBSTANTIAL INTERESTS IN SHARE CAPITAL**

As at 1 February 2020, the Company has been advised of the following significant holdings of voting rights in its ordinary share capital pursuant to the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('DTRs'):

The Company has not been notified of any significant changes in interests pursuant to the DTRs between 1 February 2020 and the latest practicable date prior to the publication of this report.

exercise all of the powers of the Company and may delegate their power and discretion to committees.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

**DIRECTORS' INTERESTS**

Details of Directors' interests and those of their connected persons in the share capital of the Company are set out on page 153. This information is incorporated into this Directors' Report by reference and is deemed to form a part of it.

	Number of ordinary shares/voting rights held	% of ordinary share capital
Pentland Group Limited	535,278,239	55.0
Fidelity Management and Research LLC	60,125,238	6.18

**RELATIONSHIP AGREEMENT**

In accordance with LR 9.2.2 AD R (1), the Company has in place a legally binding relationship agreement with its controlling shareholder, Pentland Group Limited. The Company has complied with the undertakings included in the relationship agreement during the period under review. So far as the Company is aware, the undertakings in the agreement have also been complied with by both Pentland Group Limited and its associates during the period under review.

**DIRECTORS**

Details of all persons who were Directors at the financial period end including their roles and brief biographical details are set out on pages 114 to 115. The Directors are responsible for the management of the business of the Company and, subject to law and the Company's Articles of Association ('Articles'); the Directors may

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

**APPOINTMENT AND REPLACEMENT OF DIRECTORS**

The Company's Articles of Association provide that the Company may by ordinary resolution at general meeting appoint any person to act as a Director, provided that (where such person has not been recommended by the Board) notice is given by a member entitled to attend and vote at the meeting of the intention to appoint such a person and that the Company receives, among other information, confirmation of that person's willingness to act as Director. The Articles also empower the Board to appoint as a Director any person who is willing to act as such. The maximum possible number of Directors under the Articles is 20.

In addition to the powers of removal conferred by statute, the Company may by

ordinary resolution remove any Director before the expiration of his or her period of office. The Articles also set out the circumstances in which a Director shall vacate office.

The Articles broadly require that at each AGM one-third of eligible Directors shall retire from office by rotation and may stand for re-election and that any Director who was appointed by the Board after the previous AGM must retire from office and may stand for election by the shareholders. Additionally, any other Director who has not been elected or re-elected at one of the previous two AGMs must also retire from office and may stand for re-election.

Notwithstanding the provisions of the Articles, the Board has determined that all the Directors will stand for re-election at the 2020 AGM in accordance with the best practice recommendations of the UK Corporate Governance Code.

**AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION**

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

**CHANGE OF CONTROL - SIGNIFICANT AGREEMENTS**

In the event of a change of control of the Company, the Company and the lenders of the £700 million bank syndicated facility shall enter into an agreement to determine how to continue the facility. If no agreement is reached within 20 business days of the date of change of 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 Strategic Report on pages 42 to 110 provides information on the Group's approach to people and how the Group attracts, develops and engages with its employees.



The Group acknowledges the new requirements under the UK Corporate Governance Code 2018, regarding stakeholder engagement. The Group has continued its focus on ensuring that the Group's employees are fully informed about all significant matters affecting the Group's performance and of any significant organisational changes. The Group has also ensured that its employees have a method of raising any concerns they may have in confidence. In order to achieve this, the Group holds a series of employee forums led by the Group's HR Business Partners. The outcomes of these forums are included in regular Board updates and discussions with the Board. The Group is now taking steps to further this engagement by establishing a dedicated workforce committee which will comprise of employee representatives from across the various areas of the business who are able to present their thoughts and feedback to the Board at appropriate intervals.

In addition, a key factor in the Group's employee remuneration strategy is encouraging the involvement of all employees in the Group's performance. Full details of the Group's remuneration strategy are set out in the Remuneration Report on 132 to 159.



The Group is committed to promoting equal opportunities in employment regardless of employees' or potential employees' gender, marital status, sexual orientation, age, race, religion, ethnic or social origin or disability. Recruitment, promotion and the availability of training and development at all areas within the Group are based on the suitability and merit of any applicant for the job 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 the employment, development and training of the employee in question within their existing capacity wherever practicable, or failing that, in an alternative suitable capacity.

Further information regarding the Group's approach to equality and diversity is set out in the Strategic Report on pages 42 to 110.

**POST BALANCE SHEET EVENTS**

Details of post balance sheet events are provided in Note 31 of the financial statements.

**FUTURE DEVELOPMENTS**

Future developments are discussed throughout the Strategic Report on pages 42 to 110.

**POLITICAL DONATIONS AND EXPENDITURE**

Neither the Company nor any of its subsidiaries has made any political donation or incurred any political expenditure during the period under review.

**RESEARCH & DEVELOPMENT**

During the financial period ended 1 February 2020, the Group engaged in Research & Development activity in relation to technological advances in the Group's multichannel platform.

**GREENHOUSE GAS EMISSIONS**

Details of the Group's greenhouse gas emissions are shown in the Corporate and Social Responsibility report on page 86. This information is incorporated into this Directors' Report by reference and is deemed to form part of it.

**AUDITOR**

As set out on pages 129 to 131, the Audit Committee has recommended that KPMG LLP be re-appointed as auditors for the financial year 2020/21. KPMG LLP have indicated their willingness to continue in office as auditor of the Company. A resolution proposing their re-appointment will be proposed to shareholders at the forthcoming AGM.

**DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

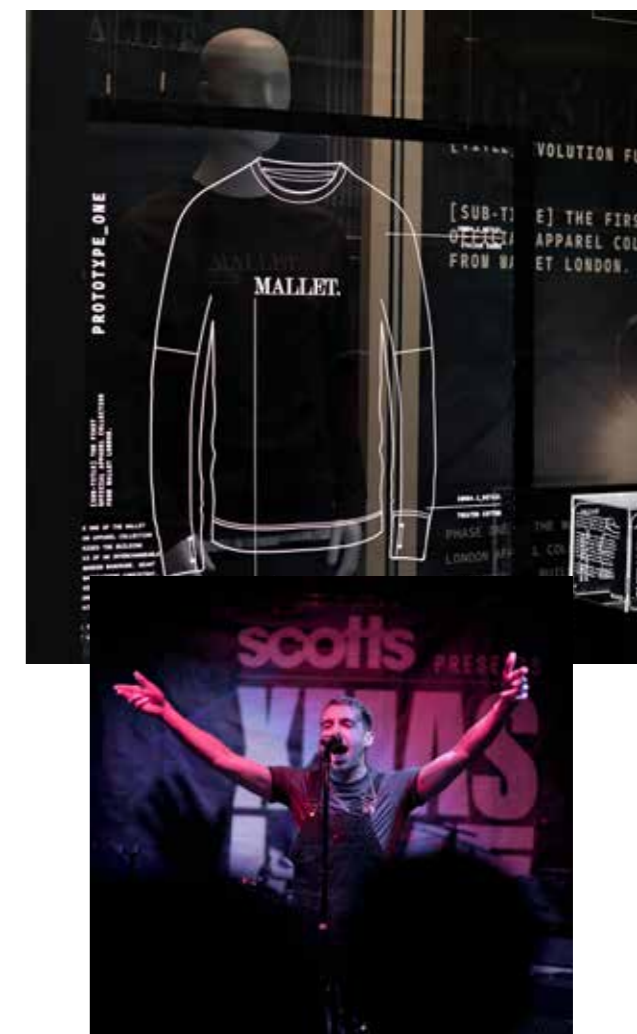
- So far as they are aware, there is no relevant audit information of which the Company's auditor is unaware
- Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware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

**ANNUAL GENERAL MEETING**

Due to the current coronavirus (COVID-19) pandemic, the AGM of the Company will be held as a closed meeting on 31 July 2020 at Edinburgh House, Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR. The meeting will consider formal business only. Shareholders are invited to submit any questions in advance via email (investorrelations@jdplc.com). Shortly after the meeting, the Company will publish on its website the results of the AGM and an answer to any question submitted.

By order of the Board

**Neil Greenhalgh**  
**Chief Financial Officer**  
 7 July 2020



It is the role of the Board to ensure that the Group is managed for the long term benefit of the shareholders, whilst also ensuring the interests of other key stakeholders – including employees and suppliers – are protected. The Board promotes the principles set out in the UK Corporate Governance Code 2018 as issued by the Financial Reporting Council (FRC) (the ‘Code’). This report sets out how the Company has applied the main principles set out in the Code and the extent to which the Company has complied with the provisions of the Code. This report includes relevant provisions of the Code, where appropriate. The full Code can be found on the FRC website (www.frc.org.uk).

## THE BOARD

### BOARD COMPOSITION AND SUCCESSION

The Board comprises seven Directors: the Executive Chairman, the Chief Financial Officer and five Non-Executive Directors. Martin Davies performs the role of Senior Independent Non-Executive Director. The name, position and a brief profile of each Director is set out on pages 114 to 115.

The Board has again this year focused its efforts on ensuring that succession planning is central to its approach to reviewing Board composition on an ongoing basis. This focus is also applied to the Board’s review of the composition of the Group’s senior team.

The Board and the Nominations Committee have kept under review the position of Andrew Leslie as Non-Executive Director and Chairman of the Remuneration Committee during the course of the year, given that he has now held his position for more than nine years, and in particular his ability to remain independent in these roles. The Board and the Nominations Committee do not consider that Andrew, simply as a result of the fact that he has held the position of Non-Executive Director for more than nine years, is unable to act independently when carrying out his roles. The Board has considered Andrew’s roles in light of a number of fundamental factors, including the importance of preparing a new remuneration policy to put to shareholders for approval at this year’s AGM. As such, The Board and Nominations Committee are satisfied that Andrew remains sufficiently

independent and effective in his respective roles on the Board and Board Committees and therefore wish to support Andrew Leslie continuing in his roles for the forthcoming financial year. In accordance with the Code, Andrew Leslie will be subject to re-election at the AGM this year, as will all other Directors (as explained further on page 118).

The Board is dedicated to ensuring that it maintains entrepreneurial leadership within a framework of effective control and risk management. It is also considered that the Board’s mix of Executive and Non-Executive Directors provides an appropriate combination of judgement, skills and experience to satisfy the Group’s need for overall effective and agile leadership.

The independence of the Non-Executive Directors is considered by the Board on an annual basis. All Non-Executive Directors, save for Andy Rubin, are considered to be independent by the Board. Andy Rubin is the Chairman of Pentland Brands and a Director of Pentland Group Limited and is, therefore, not considered by the Board to be an independent Non-Executive Director. The Board believes that the Non-Executive Directors have provided ample guidance to the Board and perform an effective role in challenging and encouraging the effective leadership of the Executive Directors, when and in a manner which is appropriate.

From time to time, the Executive Chairman meets with the Non-Executive Directors without the other Directors present to discuss Board performance and other matters considered appropriate.

The Board considers that all the Directors are able to devote sufficient time to their duties as Directors of the Company. The brief biographical detail on pages 114 to 115 includes details of the Chairman’s other directorships of listed companies. The Board is satisfied that, given the limited time commitment required for the Executive Chairman to perform these roles, these appointments do not conflict with the Executive Chairman’s ability to carry out his role effectively for the Group.

A summary of the rules that the Company has in place about the appointment and replacement of Directors is set out on page 118. Notwithstanding the provisions of the

Company’s Articles regarding the retirement of Directors, the Board determined that all Directors will retire at the 2020 AGM and offer themselves for re-election in accordance with the best practice recommendation of the UK Corporate Governance Code.

### BOARD COMPOSITION AND DIVERSITY

The Board remains committed to achieving better diversity at all levels in the Group, including at Board level. The Board has previously engaged directly with the Chair of the Alexander-Hamilton Review and the Investment Association, in order to provide further information on the Board’s perspective on diversity and the impact this may have on the future composition of the Board.

The Group is pleased to welcome Kath Smith onto its Board during the course of the financial year, bringing the female composition of the Board to almost 30%.

The Board is committed to ensuring that its composition of its people – at all levels throughout the Group – is diverse and is reflective of the diverse nature of the communities in which it operates. It is the Board’s view that this creates a more inclusive and accountable corporate culture. It is a fundamental point of principle for the Board to ensure that all recruitment, including Board membership, is measured against purely objective criteria, based on individual merit, expertise and talent.

The Board’s primary focus is ensuring that its membership has the relevant skills, experience and judgement, which is fundamental to maintaining an entrepreneurial and effective management and leadership team. The Board is encouraged by the gender balance within the Company’s Senior Management Team, which includes a number of highly regarded female members, who have frequent interaction with the Board.

The Board recognises the essential need to engage with a wide talent pool in its recruitment policy, targeting a broad range of candidates from various backgrounds, sectors and cultures when hiring both new Board members and new candidates at all levels within the business. The Board is committed to ensuring that all recruitment is conducted on this basis and to continually monitor our diversity mix.

### BOARD OPERATION AND RESPONSIBILITIES

The Board is responsible for the direction, management and performance of the Company. The Directors act together in the best interests of the Group via the Board and its Committees. The Board held ten scheduled Board meetings during the year under review and ad hoc meetings were held between scheduled meetings, where required. Directors’ attendance at scheduled Board and Committee meetings is set out below.

### ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Year to 1 February 2020	Board Meetings	Remuneration Committee	Audit Committee	Nomination Committee
<b>Total number of meetings</b>	<b>10</b>	<b>2</b>	<b>4</b>	<b>1</b>
P Cowgill	10	2*	4*	1
N Greenhalgh	10	2*	4*	1*
A Leslie	10	2	4	1
M Davies	10	2	4	1
H Jackson	10	2	4	1
A Rubin	10	-	-	-
K Smith	6	-	-	-

#### Notes:

\*P Cowgill and N Greenhalgh attended the meetings as annotated in the table above at the invitation of the members of those Committees in order to provide additional detail on day to day matters arising at such meetings and to assist the Committee members with the matters delegated to the Committee as deemed appropriate by such Committee members.  
On occasion certain members of the Board and Committees have attended the meetings by telephone.



**BOARD EVALUATION**

As an externally facilitated Board evaluation was carried out during the 2018/2019 financial year, the Board deemed it appropriate to carry out an internal evaluation of its performance during the financial year to 1 February 2020.

The evaluation exercise required the Board members to score themselves individually and the Board as a whole on topics such as:

- The Board's contribution to the shaping of the Group's strategy
- An assessment of the effectiveness of the Group's risk management approach
- The process of sharing information with the Board to allow appropriate and effective interaction between the Board and the rest of the Group
- The Board's expertise and skills in the context of the Group
- The effectiveness of the Committee and the relevant expertise and experience of the Committee members
- The decision making process adopted by the Board and the Senior Management Team

The Company Secretary has assisted the Executive Chairman and the Senior Independent Director to collate all evaluation responses to facilitate the provision of appropriate feedback and recommend suitable measures which will aim to improve the effectiveness of the Board.

**MATTERS RESERVED FOR THE BOARD**

The Board has a formal schedule of matters reserved specifically to it for decisions which include:

- Strategy setting and major strategic matters
- Approval of the Group's financial statements
- Corporate acquisitions and disposals
- Significant capital projects

The matters reserved for the Board are kept under continual review to ensure they remain appropriate in light of the size of the Group and the nature of its activities. This is another aspect which the Board members are asked to evaluate as part of the Board evaluation process.

**MAIN ACTIVITIES OF THE BOARD DURING THE YEAR**

- Approved a number of key strategic corporate acquisitions (see Note 11 of the financial statements)
- Assessed the impact of Brexit on the Group in various areas including in relation to people, supplier relationships and logistics.
- Assessed the current cyber security risks posed to the Group and the various measures being implemented to counter this risk on an ongoing basis.

In order to assist the Board in its effective review and decision making regarding the Group's activities, Board papers are circulated to Directors prior to Board meetings which include up-to-date financial information, reports from the Executive Directors, a summary of key risk and compliance issues and papers on major issues for consideration by the Board. The Board has a formal procedure for Directors to obtain independent professional advice.

All Board members have full access to the Company Secretary who is a fully admitted solicitor and attends all Board and Committee meetings. The Company Secretary is responsible for advising the Board on all Corporate Governance and legal matters.

All newly appointed Directors receive an appropriate induction when they join the Board. Relevant training is arranged throughout the year as deemed appropriate including the attendance at Board meetings by external legal specialists and/or the circulation of advice notes. In particular, the Board members received face to face training by external specialists during the course of the year on key corporate governance and legislative changes.

**INSURANCE ARRANGEMENTS**

The Company, through its majority shareholder Pentland Group Limited, maintains Directors' and Officers' liability insurance, which is reviewed at appropriate intervals to ensure it remains fit for purpose.

**CONFLICTS OF INTEREST**

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or possibly could conflict, with the interests of the Company. The Board considers that the procedures it has in place for reporting and considering conflicts of interest are effective.

**BOARD COMMITTEES**

The Board delegates certain powers to Board Committees. There are three principal Board Committees to which the Board has delegated certain of its responsibilities. The terms of reference for all three Committees are reviewed by each Committee regularly and are available for inspection on request and are available on the Company's corporate website [www.jdplc.com](http://www.jdplc.com).

**AUDIT COMMITTEE**

The Audit Committee currently comprises three independent Non-Executive Directors; Martin Davies, Andrew Leslie and Heather Jackson. Martin Davies chairs the Audit Committee. The Board notes that it is a requirement of the DTRs and a recommendation of the Code that the Audit Committee as a whole shall have competence relevant to the sector in which the Company operates. This is something which is explored during the Board Evaluation process, referred to above. The Board confirms that it considers the composition of the Audit Committee provides the requisite skills and experience, however, the Board and the Audit Committee considers it is prudent to keep this under continual review in order to ensure that it remains satisfied that the expertise of the membership of the Audit Committee remains appropriate.

The Audit Committee met four times in the year with the external auditor attending part of each meeting. Details of attendance at Audit Committee meetings are set out in the table above.

**REMUNERATION COMMITTEE**

The Remuneration Committee currently comprises three independent Non-Executive Directors; Andrew Leslie, Martin Davies and Heather Jackson. Andrew Leslie is the chair of the Remuneration Committee. Since 1 February 2020, it has been decided that Kath Smith will also join the Remuneration Committee.

The Committee's principal duties are to determine:

- Overall Group remuneration policy
- Remuneration packages for Executive Directors and Senior Management
- The terms of Executive Director service contracts as may be required from time to time
- The terms of any performance-related and/or long term incentive schemes operated by the Group and awards thereunder



In particular during the course of the year, the Remuneration Committee was responsible for assessing and determining the appropriate level of remuneration for the newly appointed Chief Financial Officer and to review and consider the appropriateness of the remuneration arrangements of the Executive Chairman.

The Committee met twice during the year. Details of attendance at Remuneration Committee meetings are set out in the table above.

Further details about Directors' remuneration are set out in the Directors' Remuneration Report on pages 132 to 159.

#### NOMINATION COMMITTEE

The Nomination Committee currently comprises Peter Cowgill, the Executive Chairman, and three independent Non-Executive Directors, Andrew Leslie, Martin Davies and Heather Jackson. Since 1 February 2020, it has been decided that Kath Smith will also join the Nomination Committee.

The Committee's principal duties are to consider the size, structure and composition of the Board, ensure appropriate succession plans are in place for the Board and Senior Management and, where necessary, consider new appointments to the Board and Senior Management. The matters delegated to the remit of the Nominations Committee include Board structure, succession planning and the performance of the Board and the Senior Management.

#### INTERNAL CONTROL

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process was utilised during the year under review.

The Board, in conjunction with the Audit Committee, has full responsibility for the Group's system of internal controls and monitoring their effectiveness. However, such a system is designed to monitor and manage the risk of failure to achieve business objectives and cannot eliminate such risk entirely. The Board seeks to manage this risk by having established

a well-defined organisational structure, clear operating procedures, embedded lines of responsibility, delegated authority to executive management and a comprehensive financial reporting process.

Key features of the Group's system of internal control and risk management are:

- Identification and monitoring of the business risks facing the Group, with major risks identified and reported to the Audit Committee and the Board including via brief monthly updates, more in depth quarterly updates and an annual risk report preparation and review process
- Detailed appraisal and authorisation procedures for capital investment, which is documented in the Matters Reserved for the Board and the Group's Contract Authorisation Policy
- 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 investigation of suspected fraudulent activities
- Reconciliation and checking of all cash and stock balances and investigation of any material differences

In addition, the Audit Committee receives detailed reports from the external auditor in relation to the financial statements and the Group's system of internal controls.

The Senior Independent Director, as Chair of the Audit Committee, has regular interaction with the external auditor and senior members of the Group finance department in order to monitor and assess the effectiveness of the Group's system of internal controls.

The Group has a formal whistleblowing policy in place which provides details of how employees can raise concerns in relation to the Group's activities or the actions of any employee of the Group on a confidential basis. This policy is reviewed annually by the Audit Committee. The mechanism for employees to access whistleblowing channels has been recently reviewed to ensure that they are effective.

The Group strives to conduct itself in all areas and at all levels in an ethical manner. The Group takes a zero tolerance approach to bribery and corruption, amongst its employees, suppliers and any associated parties acting on the Group's behalf and this is very clearly documented in the way that it contracts with any such third parties. The Group has a detailed Anti-Bribery and Corruption Policy and is committed to acting professionally, fairly and with integrity in all its business dealings. The Group has appropriate processes in place to audit compliance with its Anti-Bribery and Corruption Policy and its Gifts and Hospitality Policy, periodically.



The Board has reviewed the effectiveness of the Group's system of internal controls and believes this to be effective. 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 reasonable, and not absolute, assurance against the risk of material misstatement or loss.

The integration of recently acquired businesses into the Group's system of internal controls is achieved as quickly as possible and is done on a proportion basis taking into account the size and type of business acquired.

#### SHAREHOLDER RELATIONS

During the course of the 2019/20 financial year, the Executive Chairman, the Senior Independent Director and the Company Secretary conducted a series of meetings with some of its largest shareholders particularly to discuss corporate governance and the matters which were put to shareholders at last year's AGM and those which would be raised at this year's AGM. The purpose of the meetings was to understand any key areas of concern in relation to corporate governance matters and whether there were any measures which could be employed to provide further comfort to shareholders in these areas. Key themes discussed related to greater transparency and visibility, particularly in relation to remuneration, and achieving a more regular dialogue with shareholders throughout the course of the financial year so that concerns can be raised and addressed on a frequent basis.

The Executive Directors maintain an active dialogue with the Company's major shareholders to enhance understanding of their respective objectives, holding conference calls and attending meetings and investor roadshows on a regular basis. The Executive Chairman and the Chief Financial Officer each provide feedback to the Board on issues raised by major shareholders.

The Group has also appointed an Investor Relations Manager to support the Chief Financial Officer and the Executive Chairman in their shareholder relations objectives, and to ensure effective and efficient communication in this regard.

The Senior Independent Non-Executive Director is available to shareholders if they have concerns which have not been resolved through dialogue with the Executive Directors, or for which such contact is inappropriate. Major shareholders may meet with the Non-Executive Directors upon request.

External brokers' reports on the Group are circulated to the Board for consideration. In addition, the Non-Executive Directors attend results presentations and analyst and institutional investor meetings whenever possible.

Shareholders are invited to attend the Group's AGM and to raise any queries that they may have during the meeting and may meet with the Board after the formal proceedings have ended, should they request to do so.

The Company has one class of issued share and, as such, all shareholders have the same rights, as set out in the Company's articles of association which were disclosed on 28 April 2020. In addition, the Board receives regular training and updates on its obligations under various legal frameworks, including the EU Market Abuse Regulation, to ensure that no shareholder or group of shareholders are prejudiced or given an unfair advantage compared to the shareholders as a whole.

#### COMPLIANCE WITH THE CODE

The Directors consider that during the year under review and to the date of this report, the Company complied with the Code except as follows:

Code Provision 9 – The role of Chief Executive and Chairman is undertaken by one person – Peter Cowgill, the Company's Executive Chairman, which has been the case for almost the last six years. The Board believes that there is sufficient separation of responsibilities of the roles usually undertaken by the Chairman and the Chief Executive amongst the Executive Chairman, the Chief Financial Officer, the Non-Executive Directors and the Company's Senior Management team. The Board, with assistance from the Nomination Committee, keeps this arrangement constantly under review.

This report was approved by the Board and signed on its behalf by:

**Neil Greenhalgh**  
Chief Financial Officer  
7 July 2020



#### PRINCIPAL DUTIES

The principal duties of the Audit Committee 'the Committee' are to review draft annual and interim financial statements prior to being submitted to the Board, reviewing the effectiveness of the Group's system of internal control, risk management and the performance and cost effectiveness of the external auditor.

#### MAIN ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The Committee's activities included:

- Reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon including internal controls
- Reviewing regularly the potential impact on the Group's financial statements of certain matters such as impairment of fixed asset values and proposed International Accounting Standards
- 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, audit fee and terms of engagement of the auditor
- Reviewing the independence and effectiveness of the Group's external auditor
- Preparations for a tender process to take place in respect of the Group's external auditor to take place during the financial year 2021/2022
- Reviewing the whistleblowing arrangements in place for employees to be able to raise concerns in confidence to ensure they remain effective and appropriate
- Reviewing the Company's risk register and internal controls
- Assessment of the need for an internal audit function and the effectiveness of the Group's existing system of internal controls

#### FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING MATTERS

The Committee is responsible for reviewing the Group's draft financial statements and interim results statement prior to Board approval. As part of such review, the Committee considers whether suitable accounting policies have been adopted and whether appropriate judgements have been made by management. The Committee also reviews reports by the external auditor on the full year and half year results.

The following are material areas in which significant judgements have been applied and have been considered by the Committee during the year:

#### VALUATION OF INVENTORIES

The Audit Committee considered the risk that inventory may need to be impaired and tested the principles and integrity of the obsolescence provision calculation used across the Group. This risk review is particularly important to the Group given the extremely seasonal nature of its retail businesses and the changing desirability of branded products over time. The Audit Committee also reviewed the assessment carried out by the auditors of the overall consistency of the assumptions used by comparing to those used in prior periods. The Committee reviews the provision models and challenges management on the key judgements made over aged stock and the level of proceeds for aged stock. The external auditor reports to the Committee on the work they have completed and how their audit work is concentrated on this area.

#### VALUATION OF GOODWILL AND FASCIA NAMES INCLUDING THE RECOVERABILITY OF GOODWILL AND FASCIA NAME IN GO OUTDOORS

The Committee considered the assumptions underlying the calculation of the value in use of the cash generating units being tested for impairment, primarily the achievement of the short term business

plan, the assumptions on discount rates and long term growth rates. The Committee reviewed the budgets and business plans that support the impairment reviews and challenged the key assumptions used and are comfortable that they represent management's best estimate at the time. During the year a letter was received from the Financial Reporting Council following them carrying out a limited scope review of the disclosures relating to the impairment of non-financial assets, as part of this review further information was supplied and correspondence is now closed, additional disclosures will be included going forward. The nature of the FRC review is that it provides no assurance that the annual report and accounts are correct in all material respects. The FRC's role is not to verify the information provided but is to consider compliance with reporting requirements.

The external auditor provides to the Committee detailed explanations of the results of their review of the estimate of the value in use, including their challenge of management's underlying cash flow



projections, the key growth assumptions and discount rates. The Committee has also reviewed the disclosures in the financial statements.

#### VALUATION OF IFRS16 LEASE LIABILITY

The committee considered the assumptions underlying the calculation of the lease liabilities as part of the introduction of the new leases standard IFRS16. The Committee considered the discount rates being used and the judgement required in determining the appropriate lease term, including the expectation of the likelihood of renewal and the length of holdover

#### COVID-19

The committee has reviewed the disclosures in respect of COVID-19 in the Post Balance Sheet Events note.

#### EXTERNAL AUDITOR

A breakdown of the audit and non-audit related fees are set out in Note 3 to the Consolidated Financial Statements on page 193.

The Committee has regard to the FRC rules on auditor independence and the provision of non-audit services by the auditor and in particular the recently revised policy on the provision of non-audit services by the external auditor. The Committee recognises that the policy's objective is to ensure auditor independence and appropriate levels of approval for non-audit work being undertaken by the external auditor. Under the policy, any non-audit services to be undertaken by the auditor which are not prohibited or potentially prohibited under the audit reforms require advance authorisation in accordance with the following:

- For individual pieces of work below £20,000 - Chief Financial Officer approval required
- Work in excess of £20,000 - Committee approval required

If it is proposed that any potentially prohibited non-audit work is carried out by the auditor, this will require Committee approval.

KPMG have acted as auditor to the Company since its flotation in 1996. The Committee is satisfied that this is in compliance with the FRC's rules on mandatory firm rotation. The Committee acknowledges that the lead audit partner is subject to rotation every five years to safeguard independence, with a new lead audit partner having been appointed during the 2019/20 financial year. The Committee is confident that this has brought an additional level of independence to the audit process.

The Audit Committee recommends that KPMG be reappointed as the Company's statutory auditor for the 2020/21 financial year. The Audit Committee, after careful consideration including of the auditor's performance during their period in office, is satisfied with the level of independence and impartiality of the external auditor and is happy with the audit process and that the way it operates remains effective.

Whilst the Audit Committee's current recommendation is to re-appoint KPMG as auditors for the forthcoming financial year, the Audit Committee notes that a new auditor will have to be appointed no later than the beginning of the financial year commencing February 2024. The Audit Committee acknowledges the importance of this decision and, to ensure the best possible process, believes that their considerations should not be constrained by COVID-19. Accordingly, the Audit Committee now proposes to commence its tender programme in the 2021/22 financial year with a decision made before the end of that year on 29 January 2022. Therefore, the current expectation is that a new auditor will be appointed for the 2022/2023 financial year although the Audit Committee will maintain a flexible approach.

The Audit Committee confirms that the Company otherwise complied throughout the financial year under review with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

#### INTERNAL AUDIT

Whilst the Company does not have an internal audit function, the Audit Committee regularly reviews the need for such a function. During the financial year, the Audit Committee determined that such an appointment is not currently necessary as the aspects of internal control which an internal audit function would be responsible for are currently adequately addressed by various existing business functions within the Group, namely the Group's finance and profit protection functions. Such functions appropriately focus on aspects such as financial control, stock shrinkage, theft, fraud and stock and cash audits. The finance and profit protection departments report to the Board on a regular basis and the Audit Committee considers that this function plays an effective and efficient role.

**Martin Davies**  
Chairman of the Audit Committee  
7 July 2020



## ANNUAL STATEMENT OF THE CHAIRMAN OF THE COMMITTEE

### DEAR SHAREHOLDER

As Chairman of the Committee (the Committee), I am pleased to present the Company's Remuneration Report for the financial year 2019/20.

This Directors' Remuneration Report ('Report') summarises the activities of the Committee during the period to 1 February 2020. It sets out a summary of the remuneration policy and remuneration details for the Executive and Non-Executive Directors of the Company. This report has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) ('Regulations') and the requirements of the Listing Rules. The Companies Act 2006 requires the auditor to report to the shareholders on certain parts of the Report and to state whether, in their opinion; those parts of the report have been properly prepared in accordance with the Regulations. The parts of the Annual Report on Remuneration that are subject to audit are indicated in that report.

### KEY HIGHLIGHTS

There are three sections:

- This Annual Statement
- The Policy Report which sets out the Company's proposed remuneration policy for directors, the key factors which were taken into consideration in setting the policy and details of the changes from the current policy. The proposed policy will be put to a binding shareholder vote at the 2020 AGM and will apply for three years from the date of approval.
- The Annual Report on Remuneration providing details on the remuneration earned in the year to 1 February 2020 and how the Directors' Remuneration Policy will be operated during the 2020/2021 financial year. This Annual Report on

Remuneration together with the Annual Statement will be subject to an advisory shareholder vote at the 2020 AGM.

Once again the Group has continued to make excellent progress in its growth and ambitions, posting 24% growth in profit before tax and exceptional items.

The Committee has continued to focus on how it can support the Group in ensuring that its Executive Director and Senior Management remuneration is reflective of the performance, size and global reach of the Group, and continues to drive its strategic aims in both the short, medium and long term.

The Committee has engaged with a number of its major shareholders throughout the 2019/2020 financial year in order to understand the key aspects of the Group's remuneration structures and policies that such shareholders wanted to discuss further and/or to obtain further visibility on. The Committee has shared its proposals with its major shareholders in advance, before putting this Policy Report and Annual Report on Remuneration to its shareholder base as a whole, in order to ensure that any concerns have been addressed.

Key Points to Note:

- EBITDA (before exceptional items) increased by a further 101%, to £979.8 million (2019: £488.4 million).
- IFRS16 has added £311.1 million depreciation and impairments.
- Headline profit before tax and exceptional items increased by 24% to £438.8 million (2019: £355.2 million).
- Profit before tax increased to £348.5 million (2019: £339.9 million)
- Encouraging total like for like sales growth in global Sports Fashion fascias of more than 12% achieved against a backdrop of widely reported retail issues.

- Finish Line fascia in the United States increased operating profit before exceptional items on a comparable accounting basis to £97.9 million (2019: £26.6 million for the 33 weeks post acquisition)
- Net increase of 52 stores (2019: 39 stores) for the JD fascia across Europe
- A further 18 JD stores opened in the Asia Pacific region in the year (2019: 34 stores)

For this year I believe that bonus and Long Term Incentive Plan (LTIP) outcomes continue to be reflective of the sustained outstanding performance of the Group and will be echoed throughout the senior leadership remuneration. The continued growth and posting of exceptional results demonstrates that the remuneration approach is continuing to support and drive this performance.

### UPDATE IN RELATION TO 2019/20 REMUNERATION

Since the remuneration outcomes for 2019/20 were approved by the Committee, it has been agreed given the impact of COVID-19, that all incentive payments due following the year ended 1 February 2020 would be deferred and paid at a later date. This includes bonuses earned during the year, payments of special bonus (as earlier approved by shareholders) and contractual LTIP payments.

It is the intention of the Board and Remuneration Committee that all deferred incentive payments will be made once our stores have re-opened and when the Board and Committee are satisfied that performance and projected cashflows of the Group permit payment. At the time of publication of this report, the timing of such payments remain under review.

### APPROACH FOR 2020/21 REMUNERATION

We have also taken a number of actions in respect of remuneration in 2020/21 in response to developments in relation to the COVID-19 pandemic. As we disclosed, this has involved the following for the period of disruption:

- Agreed reductions in salary and fees of at least 30% for members of the Board.
- Agreed reductions in salary for the Senior Management team.
- A voluntary reduction in salary of 75% for the Executive Chairman.

The timing of temporary salary reductions for the Board and for Senior Management will be kept under review during 2020, and will only be reversed when the Board are satisfied it is in a position to do so.

In addition, the planned salary rise for Executive Directors with effect from 1 April 2020 has been cancelled.

### ACTIVITY SUMMARY

Over the last 12 months the Committee has spent significant time working with the Group to review the existing remuneration policy, seeking external advice on best market practice and identifying changes needed. Any changes have continued to focus on maintaining effective and straightforward remuneration policies as well as addressing previous commentary from shareholders in the last AGM. We have worked to increase transparency and retain competitive remuneration that supports the growth of the business. This has resulted in the following actions being undertaken by the committee:

- Agreeing annual bonus awards and devising additional, appropriate incentive arrangements for the Executive Directors
- Reviewing the basic salary of the Executive Chairman and the Chief Financial Officer to ensure that this remains appropriate for the market in which the Group operates. Whilst pay rises were intended to be increased in line with the planned increases for the wider workforce from 1 April 2020, a subsequent decision has been made not to enact the pay rises for the financial year given the current situation.
- Undertaking a review of potential alternative arrangements for remuneration including various share plans
- The design of a new remuneration policy that continues to focus on driving performance and addressing the need to provide greater transparency

- A full review and redesign of the LTIP
- Review of the performance metrics used for annual bonuses
- A review of wider market practice for senior remuneration
- Setting appropriate targets for remuneration in the 2020/21 financial year
- Ongoing consideration in respect of appropriate succession plans, in conjunction with the Board and Nominations Committee members, to put in place an efficient and evolving future structure for the Board and Senior Management Team

#### OUTCOMES

The outcome of the above has been taken into consideration as part of the creation of a new remuneration policy which will be put to shareholders at the AGM in 2020 and which has been prepared taking into account the requirements of the new UK Corporate Governance Code (the "Code"). A summary of key changes under the new policy (with full detail provided later) are as follows:

- Additional financial linked metrics added to the LTIP programme
- Adjustments to malus and clawback clauses
- Introduction of caps for LTIP payments
- Introduction of a pension contribution cap at Executive levels

The annual bonuses for the Executive Directors are based on a mix of financial targets (66.7%) and Strategic Objectives (33.3%). The Committee maintains the view that this is an appropriate method of incentivising the Executive Directors to focus their efforts on the fundamental drivers for growth and exceptional performance during the course of the financial year.

This report sets out our proposals for LTIP awards due to be granted during the following financial year. Given the disruption caused by COVID-19, the Committee reserves the right to review the planned implementation of LTIP awards.

Consultation with shareholders would take place were a material change to be proposed.

The Committee is dedicated to ensuring that the Group's remuneration packages for both the Executive Directors and the members of the Senior Management Team reflect the outstanding performance of the Group along with the medium and long term strategic aims of the Group and are appropriate in an increasingly competitive UK and international retail sector. The remuneration packages also seek to retain the vital Senior Management Team members who are a fundamental part of the Board's succession and growth plans for the Group. The fact that the Senior Management Team has once again been successfully motivated to deliver exceptional results during the course of the financial year demonstrates that this has been effective.

#### POLICY REVIEW

It is without doubt that COVID-19 has, and will continue to have, a significant impact on our business. While we do not currently have intentions to revisit the Directors' Remuneration Policy during its three year term, as a Committee we will undertake a review in due course to assess its effectiveness in the context of the disruption caused by COVID-19 and any implications for the future state of the business and its strategy.

**Andrew Leslie**  
**Chairman of the Remuneration Committee**  
 7 July 2020

## DIRECTORS' REMUNERATION POLICY (UNAUDITED)

#### INTRODUCTION

The Directors' remuneration policy (the "Policy") as set out below will be put to a binding shareholder vote at the AGM which is currently scheduled to take place on 31 July 2020 and, subject to approval by shareholders, will apply for a period of 3 years from that date. There are currently no planned changes to the policy over the three-year period to which it relates.

Remuneration payments and payments for loss of office can only be made to Directors if they are consistent with the Policy.

#### POLICY OVERVIEW

The Committee has designed the Policy around the following key principles, which are unchanged from those used for the previous Policy.

- The Group operates in a highly competitive global retail environment and the Committee seeks to ensure that the level and form of remuneration is appropriate to attract, retain and motivate Executive Directors of the right calibre to ensure the success of the Group into the future.
- Remuneration should be aligned with the key corporate metrics that drive earnings growth and increased shareholder value with significant emphasis on performance related pay measured over the longer term.
- Incentive arrangements for the Executive Directors should provide an appropriate balance between fixed and performance related elements and be capable of providing exceptional levels of total payment if outstanding performance is achieved.

#### UK CORPORATE GOVERNANCE CODE

The Committee has considered in detail the requirements of the new the Code which applies to the Group for the 2019/2020 financial year and is comfortable that the proposed Policy is in line with such requirements.

The changes we are making to remuneration include:

- The introduction of new LTIP rules that give more discretion to override formulaic outcomes;
- Extension of malus and clawback provisions to reflect best practice; and
- Introduction of a formal cap on Executive Director pensions provision at 8% of salary.

In addition to the Executive Directors, the Committee continues to have responsibility for setting remuneration for the Group's Senior Management team, as well as having oversight of the remuneration of the workforce as a whole, and so is satisfied that it is already compliant with the Code's new requirement in this respect. The Committee takes both of these into account when setting remuneration for the Executive Directors.

The Group has continued to engage and consult with the workforce in relation to remuneration via a series of employee forums led by the Group's HR Business Partners. The outcomes of these forums are included in regular board updates and discussions. The Group is now taking steps to further this engagement by establishing a dedicated workforce committee which will comprise of employee representatives from across the various areas of the business who will be able to present their thoughts and feedback to the Board at appropriate intervals.

In reviewing the Policy, the Committee has considered the following:

ASPECT	HOW THIS IS ADDRESSED IN THE POLICY
<b>CLARITY</b>	The Committee's Policy has been clearly set out in this report, including the individual elements of remuneration and their operation.
<b>SIMPLICITY</b>	The structure of remuneration is in line with normal market practice and is viewed to be simpler than the arrangements operated by many other companies.
<b>RISK</b>	The Committee believes that the incentive arrangements do not encourage undue risk-taking, as the bonus is capped and the LTIP structure is in line with standard market practice.
<b>PREDICTABILITY</b>	The Policy table and the illustrations of remuneration provide an indication of the possible levels of remuneration that may result from the application of the policy under different performance scenarios. The Committee believes that the range of potential total remuneration scenarios is appropriate for the roles and responsibilities of the Executive Directors and in the context of the performance required for incentive awards to pay out.
<b>PROPORTIONALITY</b>	The Policy has been designed to give flexibility in operation, particularly in relation to incentive plan metrics. This allows the Committee to implement the policy from year to year using the metrics that most closely align with the group's strategy.
<b>ALIGNMENT TO CULTURE</b>	The Policy has retained the simplicity it previously had, in line with our straight-forward culture. There is a strong performance culture across the business and this is reflected in the fact that the majority of the potential value for Executive Directors derives from variable pay that needs to be earned through performance.

**DISCRETION**

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders and as set out in those rules. In addition, the Committee has the discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder feedback.

**DIFFERENCES IN POLICY FROM THE WIDER EMPLOYEE POPULATION**

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same reward and performance philosophy throughout the business. As with many companies, the Group operates variable pay plans primarily focused on the senior management level.

**PROPOSED CHANGES TO THE EXISTING DIRECTORS' REMUNERATION POLICY**

In light of the next scheduled Policy vote at the 2020 AGM, the Committee has taken the opportunity to conduct a comprehensive review of the remuneration arrangements for Executive Directors to ensure it supports the Group's continued growth and success over the next three years. The Committee believes that the overall structure of the Policy does remain fit for purpose, but is proposing to make a number of small changes to ensure compliance with the Code and reflect current market best practice.



The proposed changes are set out in the table below:

ELEMENT OF REMUNERATION	CURRENT POLICY SUMMARY	PROPOSED AMENDMENT TO POLICY	REASON FOR CHANGE
<b>PENSION</b>	No maximum contribution rate.	Maximum pension of 8% payable to Executive Directors	Aligns with pension provision available for senior management
<b>ANNUAL BONUS PLAN</b>	Cash awards, normally of up to 100% of base salary. The Committee has discretion to make awards of up to 200% of base salary for exceptional performance. Bonus awards are based on a combination of financial and strategic KPIs, with two thirds being linked to financial targets.	Amendment to operate normal bonus maximum of 200% of salary in any year.	Aligns with competitive market levels of bonus for companies of a similar size to JD.
<b>LONG TERM INCENTIVE PLAN (LTIP)</b>	Cash awards of up to 200% of base salary. Awards vest at the end of a three-year performance period subject to continued employment and performance against financial targets.	Introduction of ability to for a portion of the LTIP awards to track share price. Introduction of cap on payout equal to 250% of base salary. Clawback and Malus provisions apply to the LTIP. The Committee can use its discretion to reduce, cancel or impose further conditions on the awards where it considers such action is appropriate. This includes where there has been a material misstatement of the Group's audited financial results, a serious failure of risk management or serious reputational damage.	Provides alignment with shareholder value in the long term. Introduction of formal cap on payout prevents excessive payouts. Ensures payouts are fair in the context of overall performance and avoids payout in circumstances of individual or corporate failure.

The following table sets out each element of remuneration and how it supports the Group's short and long-term strategic objectives.

HOW THE ELEMENT SUPPORTS OUR SHORT AND LONG TERM STRATEGIC OBJECTIVES	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE TARGETS
<b>BASE SALARY</b> Provides a competitive fixed level of remuneration to attract and retain Executive Directors of the necessary calibre to execute the Group's strategy and deliver shareholder value	Base salaries for the Executive Directors are normally reviewed annually by the Committee. The following factors are taken into account when determining base salary levels: <ul style="list-style-type: none"> <li>• Remuneration levels at comparable quoted UK retail companies</li> <li>• The need for salaries to be competitive</li> <li>• The performance of the individual Executive Director</li> <li>• Experience and responsibilities of the individual Executive Director</li> <li>• Pay for other employees in the Group</li> <li>• The total remuneration available to the Executive Directors and the components thereof and the cost to the Group.</li> </ul>	Base salaries will normally be reviewed annually, but the Committee reserves the right to review fees on a discretionary basis if it believes an adjustment is required to reflect market rates or performance. There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role as well as market rates.	None
<b>BENEFITS</b> Ensures the overall package is competitive for Executive Directors	Current benefit provision is detailed on page 149. Other benefits may be provided where appropriate, including health insurance, life insurance / death in service, travel and relocation expenses.	The Committee determines the appropriate level taking into account market practice and individual circumstances.	None



HOW THE ELEMENT SUPPORTS OUR SHORT AND LONG TERM STRATEGIC OBJECTIVES	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE TARGETS
<p><b>PENSIONS</b> Provides market competitive post-retirement benefits for Executive Directors</p>	<p>Payments are made into a defined contribution pension scheme with company contributions set as a percentage of base salary. The Committee has the discretion to pay a cash amount in lieu of a pension contribution. Any such payment would not form part of the salary for the purposes of determining the extent of participation in the Group's incentive arrangements.</p>	<p>The maximum pension provision is 8% of salary.</p>	<p>None</p>

HOW THE ELEMENT SUPPORTS OUR SHORT AND LONG TERM STRATEGIC OBJECTIVES	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE TARGETS
<p><b>ANNUAL BONUS</b> Provides Executive Directors with the opportunity to earn performance related bonuses based on the achievement of financial targets and key performance indicators which incentivise the achievement of the business strategy</p>	<p>The bonus is paid annually in cash and is non-pensionable. Clawback and Malus provisions apply to the bonus. The Committee can use its discretion to reduce, cancel or impose further conditions on the awards where it considers such action is appropriate. This includes where there has been a material misstatement of the Group's audited financial results, a serious failure of risk management or serious reputational damage. On change of control the Committee may pay bonuses on a pro-rata basis measured on performance up to the date of change of control.</p>	<p>The maximum bonus opportunity may be up to 200% of salary.</p>	<p>The targets are set by the Committee each year and are based on a combination of financial and strategic KPIs, with target and maximum levels. Two thirds of the annual bonus will be linked to financial targets. The Committee retains the discretion to adjust the performance targets in the event of significant corporate activity during the year. The Committee will review the Group's overall performance before determining final bonus levels. The Committee may in exceptional circumstances amend the bonus payout should this not, in the view of the Committee, reflect the overall business performance or individual contribution. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved, and awards made will be published in the following year's Annual Report so that shareholders can fully assess the basis for any payouts under the annual bonus.</p>



HOW THE ELEMENT SUPPORTS OUR SHORT AND LONG TERM STRATEGIC OBJECTIVES	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE TARGETS
<p><b>LONG TERM INCENTIVE PLAN (LTIP)</b> Provides the Executive Directors with the opportunity to earn competitive rewards. Aligns the Executive Directors' interests more closely with those of shareholders. Focuses the Executive Directors on sustaining and improving the long term financial performance of the Group and rewards them appropriately for doing so.</p>	<p>Cash awards with a three year performance period. Malus provisions apply to unvested awards. The Committee can use its discretion to reduce, cancel or impose further conditions on the awards where it considers such action is appropriate. This includes where there has been a material misstatement of the Group's audited financial results, a serious failure of risk management or serious reputational damage. LTIP awards track the Group's share price and/or a measure of Group profit.</p>	<p>Base award on grant equal to 100% of salary. Payout is capped at 250% of salary.</p>	<p>Subject to an underpin being met, the value of the base award is linked to the change in profits and/or share price, subject to the overall cap. Targets will be disclosed in the Annual Report for the year following a performance period.</p>

HOW THE ELEMENT SUPPORTS OUR SHORT AND LONG TERM STRATEGIC OBJECTIVES	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE TARGETS
<p><b>NON-EXECUTIVE DIRECTOR FEES</b> Provides a level of fees to reflect the time commitment and contributions that are expected from the Non-Executive Directors.</p>	<p>The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors, other than the Chairman whose remuneration is considered by the Committee and recommended to the Board. Non-Executive Directors are paid a base fee in cash. Additional fees may be paid for additional responsibilities such as acting as Senior Independent Director or the Chairman of a Committee of the Board. Fee levels are reviewed annually. The Non-Executive Directors do not participate in the Group's incentive arrangements and no pension contributions are made in respect of them. Reasonable travel and subsistence expenses may be paid or reimbursed by the Group.</p>	<p>The fees paid to Non-Executive Directors will normally be reviewed annually, but the Committee reserves the right to review fees on a discretionary basis if it believes an adjustment is required to reflect market rates, scope of responsibilities or performance. There is no prescribed maximum increase, but in general the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and the general rise in salaries across the UK workforce.</p>	<p>None</p>

**SHARE OWNERSHIP GUIDELINES**

The Group does not have a minimum share ownership requirement for the Executive Directors. Taking into account that the Group does not operate a share scheme and the views of our majority shareholder, the Committee considers it is not possible to set shareholding targets for Executive Directors. The main shareholder continues to support this view.

**PREVIOUS REMUNERATION ARRANGEMENTS**

The Company may honour any outstanding remuneration commitments entered into with current or former Directors (as disclosed to shareholders) before this policy took effect or before they became a Director.

**RECRUITMENT POLICY**

In the event that a new Executive Director was to be appointed, a remuneration package would be determined consistent with the Policy. In particular, new Executive Directors will participate in variable remuneration arrangements on the same basis as existing Executive Directors. In the event that a new Non-Executive Director was to be appointed, the fees payable would be determined in a manner which is consistent with the Policy.

**SERVICE CONTRACTS**

Details of the contracts currently in place for Executive Directors are as follows:

NAME	DATE OF CONTRACT	NOTICE PERIOD (MONTHS)	UNEXPIRED TERM
Peter Cowgill	16 March 2004	12	Rolling 12 months
Neil Greenhalgh	1 November 2018	12	Rolling 12 months

If it were necessary to attract the right candidate, due consideration would be given to making awards necessary to compensate for forfeited awards in a previous employment. In making any such award, the Committee will take into account any performance conditions attached to the forfeited awards, the form in which they were granted and the timeframe of the forfeited awards. The value of any such award will be capped to be no higher on recruitment than the forfeited awards and will not be pensionable nor count for the purposes of calculating bonus and LTIP awards. Any such award would be in addition to the normal bonus and LTIP awards set out in the policy table.

The Committee retains the right under Listing Rule 9.4.2 where necessary to put in place an arrangement established specifically to facilitate, in unusual circumstances, the recruitment of a new Executive Director. Where appropriate the Group will offer to pay reasonable relocation expenses and admission to LTIP arrangements for new Executive Directors.

In respect of an internal promotion to the Board, any commitments made before the promotion will continue to be honoured even if they would otherwise be inconsistent with the Directors' remuneration policy prevailing when the commitment is fulfilled.

It is the Group's policy that notice periods for Executive Director service contracts are no more than 12 months.

The service contracts and letters of appointment are available for inspection by shareholders at the forthcoming AGM and during normal business hours at the Group's registered office address.

**NON-EXECUTIVE DIRECTORS**

The Non-Executive Directors have entered into letters of appointment with the Group which are terminable by the Non-Executive Director or the Group on not less than three months' notice.

The Board recognises that Executive Directors may be invited to become Non-Executive Directors of other businesses and that the knowledge and experience which they gain in those appointments could be of benefit to the Group. Prior approval of the Board is required before acceptance of any new appointments.

**PAYMENTS FOR LOSS OF OFFICE**

In the event of early termination, the Group may make a termination payment not exceeding one year's salary and benefits. Incidental expenses may also be payable where appropriate. It is in the discretion

of the Committee as to whether departing Directors would be paid a bonus. In exercising its discretion on determining the amount payable to an Executive Director on termination of employment, the Board would consider each instance on an individual basis and take into account contractual terms, circumstances of the termination and the commercial interests of the Group. When determining whether a bonus or any other payment should be made to a departing Director, the Committee will ensure that no 'reward for failure' is made. The Committee may make a payment to a departing Director for agreeing to enter into enhanced restrictive covenants following termination where it considers that it is in the best interests of the Company to do so.

In the event of gross misconduct, the Group 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.

The current Executive Director service contracts permit the Group to put an Executive Director on garden leave for the duration of the notice period.

Where cessation of employment is due to ill-health, injury, disability or the sale of the employing entity out of the group, the unvested LTIP award will continue. It will continue to vest in accordance with the original vesting date unless the Committee determines that it should vest as soon as reasonably practicable following the date of cessation.

Where cessation of employment is due to death, the LTIP award will, unless the Committee determine otherwise, vest as soon as reasonably practicable following death. Where the Executive Director is dismissed lawfully without notice, the LTIP award will lapse on the date of cessation.



In all other circumstances the LTIP award will lapse on the date of cessation of employment unless the Committee determines otherwise, in which case it will determine the extent to which the unvested LTIP award shall vest taking into account the extent to which the performance target is satisfied at the end of the performance period or, as appropriate, on the date on which employment ceases. The period of time that has elapsed since the start of the performance period to the date of cessation of employment will also be taken into account unless the Committee determines otherwise.

**CHANGE OF CONTROL**

The Executive Director service contracts contain a change of control provision whereby if 50% or more of the shares in the Group come under the direct or indirect control of a person or persons acting in concert, an Executive Director may serve notice on the Group, at any time within the 12 month period following a change of control, terminating his employment

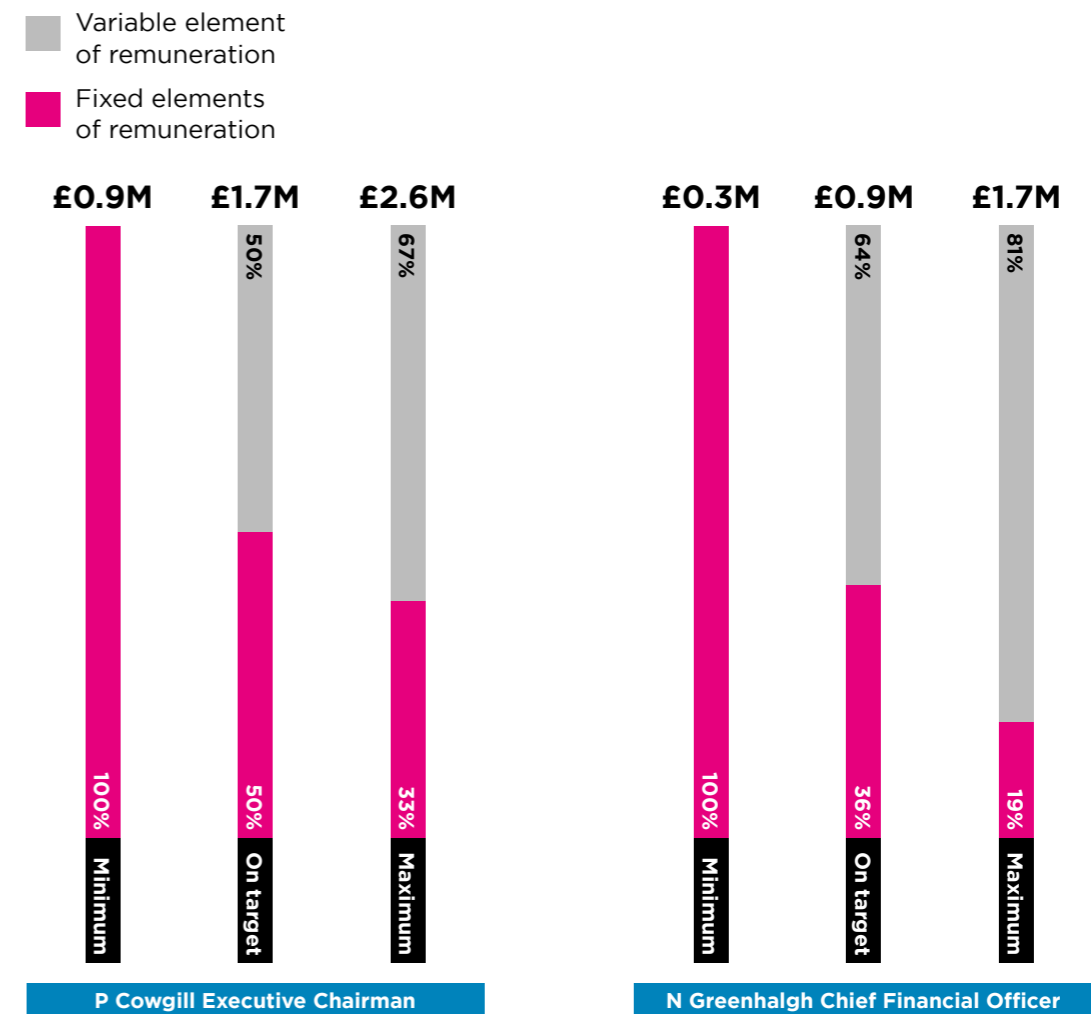
In the event of a change of control, LTIP awards will vest at the date of change of control (other than in respect of an internal reorganisation) unless the Committee determines otherwise.



**ILLUSTRATIONS OF THE APPLICATION OF THE POLICY**

The chart below illustrates the remuneration that would be paid to each of the Executive Directors in the first year of operation of the Directors' remuneration policy.

Each bar gives an indication of the minimum amount of remuneration payable at target performance and remuneration payable at maximum performance to each Director under the Policy. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration and variable remuneration.



The scenarios in the above graphs are defined as follows:

	Minimum	On target performance	Maximum performance	Maximum performance with 50% share price growth
Fixed elements of remuneration	<ul style="list-style-type: none"> <li>The base salary is the salary as at 1 April 2020</li> <li>The benefits are taken as those in the single figure table on page 149</li> <li>The pension contribution is equal to 8% of base salary (for Neil Greenhalgh only)</li> </ul>			
Annual Bonus	Nil	100% of salary	200% of salary	200% of salary
Long term incentive plan <sup>1</sup>	Nil	150% of salary	250% of salary	250% of salary

1. Only Neil Greenhalgh is to be granted LTIP in the first year of operation of the Directors' Remuneration Policy. On-target performance is assumed to be 60% of the maximum LTIP payout. Maximum performance assumes maximum payout but without share price growth i.e. all growth in value is assumed to be derived from profit growth. Under the scenario with 50% share price growth, some value is derived from profit growth and some is derived from share price growth.

2. The Executive Chairman's Special Bonus, which was disclosed in the 2018/19 Remuneration Report, has been excluded.

**STATEMENT OF EMPLOYEE CONDITIONS ELSEWHERE IN THE GROUP**

Remuneration arrangements are determined throughout the Group based on the same principle that reward should be achieved for delivery of the Group's business strategy and should be sufficient to attract and retain high calibre talent, without paying more than is necessary.

Senior Managers below Board level with a significant ability to influence company results may participate in an annual bonus plan and deferred bonus plan which reward both performance and loyalty and are designed to retain and motivate.

The Committee considers pay and employment conditions across the Group when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Committee considers the range of base pay increases across the Group when determining the increases to award to the Executive Directors

The Committee has obtained the views of the workforce on issues such as remuneration via the various workforce forums led by the Group's HR business partners. Such views have been fed back, as appropriate, to the Committee and the Board via the monthly Board reporting

process. The new workforce committee will provide further insights into the Group's remuneration practices which will be fully considered by the Committee and the Board.

**CONSIDERATION OF SHAREHOLDER VIEWS**

The Committee has engaged with certain major shareholders to obtain their views on key aspects of the proposed remuneration policy. The shareholders confirmed that one of their main concerns was a lack of transparency in its previous remuneration policy and reports. As such, the Committee has introduced greater visibility in this year's report and in the new elements of the remuneration policy to ensure that shareholders have a better understanding of the key metrics used to ensure that remuneration is based on measures which retain and motivate the Executive Directors and the Group's Senior Management team, as well as being aligned with shareholder interests, as far as possible.

**ANNUAL REPORT ON REMUNERATION**

**SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)**

The table below sets out the single total figure of remuneration and breakdown for each Executive and Non-Executive Director in respect of the 2020 financial

year. Comparative figures for the 2019 financial year have also been provided. Figures provided have been calculated in accordance with the new UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Name	Salary / Fee (£'000)		Benefits (£'000)		Bonus (£'000)		LTIP (£'000)		Pension (£'000)		Others (£'000)		Total (£'000)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Peter Cowgill	863	850	3	2	1,726	1,700	-	-	-	-	3,000	-	5,592	2,552
Neil Greenhalgh	300	57	3	2	300	56	223	70	10	5	-	-	836	190
Andrew Leslie	63	60	-	-	-	-	-	-	-	-	-	-	63	50
Martin Davies	71	65	-	-	-	-	-	-	-	-	-	-	71	65
Heather Jackson	56	55	-	-	-	-	-	-	-	-	-	-	56	55
Kath Smith	40	-	-	-	-	-	-	-	-	-	-	-	40	-
Andy Rubin	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Brian Small	-	204	-	14	-	-	-	-	-	24	-	-	-	242

(1) Salary reviews effective 1 April annually. No salary rises have been awarded for 2020/21.  
 (2) The 2018/19 salary figure for Neil Greenhalgh represents a part year figure based on when he was appointed into the role.  
 (3) The 2019/2020 salary figure for Kath Smith represents a part year figure based on when she commenced her role.  
 (4) As disclosed in the 2018/19 Remuneration Report and as approved by shareholders, a Special Bonus is due to be paid to the Executive Chairman in four instalments of £1.5m. The first two instalments were made in October 2019 and February 2020. In the light of developments caused by the COVID-19 pandemic, it has been agreed that the remaining payments would be deferred and paid when the Board and Committee are satisfied it is appropriate to do so.  
 (5) Neil Greenhalgh pension value is provided by means of a pension allowance salary supplement.

The taxable benefit received by Peter Cowgill and Neil Greenhalgh is healthcare insurance.

Pension contributions are:

- Peter Cowgill - 0% of salary
- Neil Greenhalgh - 8% of salary

**ADDITIONAL INFORMATION REGARDING SINGLE FIGURE TABLE (AUDITED)**

**2020 ANNUAL BONUS AWARDS**

The annual bonuses for the Executive

Directors are based on a mix of financial targets (66.7%) and strategic/ non-financial performance objectives (33.3%). The Committee maintains the view that this is an appropriate method of incentivising the Executive Directors to focus their efforts on the fundamental drivers for growth and exceptional performance during the course of the financial year.

The apportioning and determination of the award values for the 2020 annual bonus values were measured against the following criteria.

	Weighting	Criteria	Target Outcome	Actual performance	% vesting
Profit Before Tax (prior to exceptional items and IFRS 16 adjustments)	67%	£355.2m minimum	£375.0m (£400m for maximum value)	£465.6m	100%
People	6.7%	Promote and expand the succession planning and development of people within the Group	Identify a succession plan for the senior management team. Provide opportunities for employees based outside of the UK to complete the JD retail academy course	All senior team members have created a succession plan to identify the appropriate skills and leadership potential to step into business critical roles and have highlighted pathway planning strategies for the forthcoming financial year. Successful launch of JD's retail training academy in USA, Spain, France and Germany, increasing the number of learners completing the JD retail academy courses by 50%.	100%
Environmental	6.7%	Reduce usage of plastic packaging and its impact on the environment	To remove plastic packaging products where the opportunity to re-use such products is not at an optimal level	Our Blacks and Millets businesses have transitioned from the use of plastic bags and have replaced them with an improved paper product. In our core JD business, we have reduced the number of consumer carrier bag options such that all bags offered to consumers are fully reusable. Each of these actions have reaffirmed the Group's "re-use" message which is integral to our environmental policy.	100%

	Weighting	Criteria	Target Outcome	Actual performance	% vesting
Sustainability	6.7%	Deliver a transparent monitoring and reporting process relating to the use of more sustainable materials within our private label supply chain.	To categorise a minimum of 500,000 garments against a new sustainability "flag" process, which identifies that the garments in question contain sustainably grown cotton and recycled polyester.	The goal of categorising 500,000 garments in accordance with a sustainability "flag" has not only been achieved but has been exceeded by over 300% such that over 1.6 million garments have now been categorised against our sustainability standard.	100%
Governance	6.7%	Deliver greater accessibility and visibility of environmental, social and corporate governance information	Bring together key information and engage key stakeholders to ensure all relevant information is available to shareholders in a user friendly format and is updated on a regular basis.	The Group has successfully launched a new investor and stakeholder-facing website, engaging stakeholders and disclosing a range of key governance topics via a concise and accessible format.	100%
Digital Innovation	6.7%	Ensure that the business is at the forefront of consumer innovation and technology adoption in order to maximise consumer engagement. Early adoption of new technologies to enhance the consumer experience and improve operational efficiencies. Being first to market with new consumer innovation. Being first to market with new consumer innovation.	Implementation of new technologies across multiple consumer channels. Quick adoption of new alternative payment methods to enable our customers to shop with us in new and innovative ways.	Continued investment in the JD App and the widespread adoption of it, ensuring the most engaging experience for our consumers in our most important digital channel. Having #1 Christmas TV advert on YouTube in the UK. Being the first UK launch partner for the alternative payment method, Clear Pay.	100%

As a result of this performance, the Committee determined that the following bonuses were appropriate in the context of the truly exceptional performance in both financial and non-financial measures:

- Peter Cowgill: Exceptional bonus equal to 200% of salary, or £1,726,000;
- Neil Greenhalgh: Bonus equal to 100% of salary, or £300,000

The Committee determined that an exceptional bonus was appropriate for Peter Cowgill, given his leadership of the business in again achieving record results for the Company. From 2020/21 onwards, under the proposed policy, the normal maximum bonus will be increased to 200% of salary to reflect typical market practice for companies of a similar size and complexity to the Group.

As noted in the Chairman's letter, it has been agreed that all bonus and LTIP payments will be deferred. It is the intention of the Board and Remuneration Committee that any deferred payments will be made once our stores have re-opened and when the Board and Committee are satisfied that performance and projected cashflows of the Group permit payment. At the time of publication of this report, the timing of such payments remain under review.

**LONG TERM INCENTIVES VESTING DURING 2019/20**

The LTIP and annual bonus payments that Neil Greenhalgh is entitled to for this period were granted under the Senior Manager LTIP and bonus schemes.

**LONG TERM INCENTIVES DUE TO BE AWARDED DURING 2019/20**

As stated in the remuneration report for the 2018/19 financial year, the Committee determined that it was appropriate to grant an award under the current Executive Director LTIP to the Chief Financial Officer. The award granted will vest in 2022.

The Executive Director LTIP was approved by shareholders at the 2014 AGM.

To summarise, the terms of the current Executive Director LTIP are as follows:

- Cash awards (not shares).

- Three year performance period.
- The performance condition can be amended or substituted if events occur which cause the Committee to consider that an amended or substituted performance target would be more appropriate. Any amended or substituted target would not be materially more or less difficult to satisfy.
- Malus provisions apply to unvested awards. The Committee can use its discretion to reduce, cancel or impose further conditions on the awards where it considers such action is appropriate. This includes where there has been a material misstatement of the Company's audited financial results, a serious failure of risk management or serious reputational damage.
- The maximum award which can be granted to the Chief Financial Officer is 200% of base salary. The level of any awards under the LTIP remains under the consideration of the Committee.
- The LTIP will measure financial performance over a 3 year period. 25% of any award will vest at threshold performance increasing on a straight-line basis to 100% for maximum performance. Targets will be disclosed in the annual accounts for the year following a performance period.

The aim of the LTIP is to provide the Executive Directors with the opportunity to earn competitive rewards, to align the Executive Directors' interests more closely with those of the shareholders and to focus the Executive Directors on sustaining and improving the long-term financial performance of the Company and reward them appropriately for doing so.

**PERFORMANCE CONDITIONS OF THE EXECUTIVE DIRECTOR LTIP (CHIEF FINANCIAL OFFICER)**

An award under the Executive Director LTIP shall be in the form of a conditional right to receive a pre-determined cash amount 'Award'. Awards will generally only vest or become exercisable subject to the satisfaction of a performance condition measured over a three year period

'Performance Period' determined by the Committee at the time of grant. Awards will vest dependent on the satisfaction of performance conditions determined by the Committee prior to the date of grant. The performance conditions must contain objective conditions, which must be related to the underlying financial performance of the Company.

The Award granted to the Chief Financial Officer in 2019 is based on a performance condition of headline earnings of the Group 'Headline Earnings' over a three year performance period commencing from the start of the financial year immediately prior to the grant of the Award will be as follows:

Performance condition	Proportion of the Award subject to that element of the performance condition	Underpin condition
Headline Earnings for 2019/20 (Year 1)	33.33%	In order to vest at the end of three years, the target met at the end of Year 1 must have been maintained at the end of the Performance Period
Headline Earnings for 2020/21 (Year 2)	33.33%	In order to vest at the end of three years, the target met at the end of Year 2 must have been maintained at the end of the Performance Period
Headline Earnings for 2021/22 (Year 3)	33.33%	N/A

The initial Performance Period commenced on 3 February 2019 for the 2019 Award and the Headline Earnings for the three financial years will be determined before the date of grant of the Award. Performance measurement for the Headline Earnings for the 2019 Award will be based on the increase in the Headline Earnings over the Performance Period. Awards will vest on a sliding scale from 25% to 100% in relation to the Headline Earnings targets for the relevant year. Details of the specific Headline Earnings targets will be disclosed in the annual report on remuneration following the end of the relevant Performance Period.

The Committee will have the flexibility to make appropriate adjustments to the performance conditions in exceptional circumstances, to ensure that the Award achieves its original purpose. Any vesting is also subject to the Committee being satisfied that the Company's performance on these measures is consistent with underlying business performance.

It is the intention of the Committee to review the terms of the Executive Director LTIP during the forthcoming year in order to ensure that it remains appropriate. In the event that the Committee agree upon the terms of a new LTIP, this will be put to shareholders at the appropriate time.

**STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)**

	1 February 2020	2 February 2019
Peter Cowgill	8,465,260	8,450,260
Neil Greenhalgh	2,000	2,000

The interests of the Directors who held office at 1 February 2020 and persons closely associated with them in the Company's ordinary shares are shown on previous page.

On 5 June 2020 Peter Cowgill sold 1,985,000 shares. There has been no other changes in the interests of the Directors or persons closely associated with them between 1 February 2020 and the latest practicable date prior to the publication of this report. The holdings stated above are held directly by the Directors and persons closely associated with them are not subject to any performance targets. The Directors have no other interests in Company shares. As stated in the Directors' remuneration policy, the Company does not have a minimum share ownership requirement for Directors. Given our narrow shareholder base and the fact that there is a controlling shareholder with a majority shareholding in the business, the Committee considers it impractical to set realistic shareholding targets.

**PAYMENTS TO PAST DIRECTORS (AUDITED)**

No such payments were made.

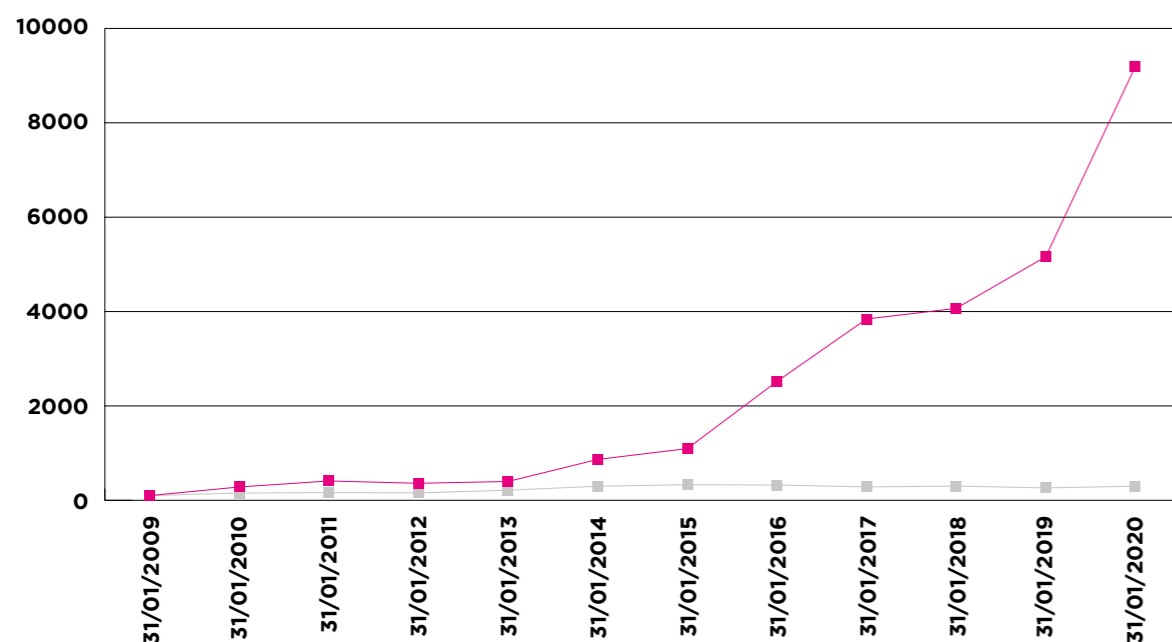
**PAYMENTS FOR LOSS OF OFFICE (AUDITED)**

No such payments were made.

**TOTAL SHAREHOLDER RETURN (UNAUDITED)**

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 ten 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 2010 by taking the percentage change of the market price over the relevant period, reinvesting any dividends at the ex-dividend rate.

■ JD Sports Fashion PLC  
■ FTSE all share general retailers index



**EXECUTIVE CHAIRMAN'S REMUNERATION OVER PAST TEN YEARS (UNAUDITED)**

The total remuneration figures for the Executive Chairman during each of the last ten financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year's performance and the LTIP award based on three year performance periods ending in the relevant financial year. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Jan 2011	Jan 2012	Jan 2013	Jan 2014	Year ended		Jan 2017	Jan 2018	Jan 2019	Jan 2020
					Jan 2015	Jan 2016				
Total remuneration £m	1.8	2.3	2.0	3.1	2.0	2.7	2.8	2.3	2.6	5.6
Annual bonus %	120	75	37	100	100	200	200	200	200	200
LTIP vesting %	100	100	100	n/a	n/a*	n/a*	100*	n/a	n/a	n/a

\* The LTIP performance criteria was achieved over the full three year period to 28 January 2017 and the award was paid on 30 October 2017.

**PERCENTAGE CHANGE IN EXECUTIVE CHAIRMAN'S REMUNERATION (UNAUDITED)**

The table below shows the percentage change in the Executive Chairman's salary and annual bonus between financial years 2 February 2019 and 1 February 2020 compared to UK Head Office employees in the JD and Size? businesses, being deemed by the Board as the most appropriate comparator group based on the Group being the ones who are remunerated in the most comparable way within the Group

	% change
<b>SALARY</b>	
Executive Chairman	1.53
UK Head Office employee average	4.24
<b>BENEFITS</b>	
Executive Chairman	4.28
UK Head Office employee average	10.54
<b>ANNUAL BONUS</b>	
Executive Chairman	1.53
UK Head Office employee average	13.28



**CEO PAY RATIO (UNAUDITED)**

In line with new reporting requirements, set out below are ratios which compare the total remuneration of the executive chairman (as included in the single figure table on page 149) to the remuneration of the 25th, 50th and 75th percentile of our UK employees.

Financial year end	Method used	25th Percentile Ratio	50th Percentile Ratio	75th Percentile Ratio
<b>2019/20</b>	B	348:1	310:1	304:1

	25th Percentile Remuneration	50th Percentile Remuneration	75th Percentile Remuneration
Base Salary	£16,067	£17,877	£17,981
Total Remuneration	£16,067	£18,299	£18,366

We have used Option B in the legislation to identify the 25th, 50th and 75th percentile UK employees. This has utilised the most recent data from our UK gender pay gap reporting for April 2019.

The Group has elected to utilise this approach for this year as to prepare individual employee calculations across a vast employee base would be overly complicated. In addition, the Group is undergoing a system transformation project currently focused on its HR and payroll systems. This means that, currently, data for certain areas of the Group are being held in different locations on separate systems.

Utilising the Gender Pay Gap data we identified the employees at the three percentiles. To then calculate total remuneration for these individuals, we have used the same methodology applied in the single figure calculation.

The largest population of employees within the Group are store colleagues and warehouse operatives and the individuals represented at the 25th, 50th and 75th percentile IDENTIFIED BY THE USE OF THE GENDER PAY DATA are all employees within

these populations. This is in line with typical practice in the retail sector and rates of pay at these levels will not be as high as those for management and head office employees in technical roles. Following consideration, we believe these ratios, and the individuals, are representative and appropriate.

As the hours our employees work vary week to week we have converted their hourly rate of pay into the equivalent 40-hour week in order that this is directly comparable.

As disclosed in the 2018/19 Remuneration Report and as approved by shareholders, a Special Bonus was paid to the Executive Chairman. As the Executive Chairman is in receipt of variable pay that is linked to the Group's performance, the level of remuneration will vary vastly from year to year and this combined with the factors above contribute to the level of the ratios.

**RELATIVE IMPORTANCE OF THE SPEND ON PAY (UNAUDITED)**

The following table shows the Group's actual spend on pay (for all employees) relative to dividends, tax and retained profits:

	2020 (£m)	2019 (£m)	% change
Staff costs	873.8	697.8	25.2%
Dividends	16.7	15.9	5.0%
Tax	97.8	75.7	29.2%
Retained profits	250.7	264.2	-5.1%

**IMPLEMENTATION OF REMUNERATION POLICY IN FINANCIAL YEAR 2020/21 (UNAUDITED)**

The Committee proposes to implement the policy for 2020/21 as set out below:

**SALARIES AND BENEFITS**

Whilst salary rises were intended to be increased in line with the planned increases for the wider workforce from 1 April 2020, a subsequent decision has been made not to enact the pay rises for Executive Directors for the financial year given the current situation. A decision on increases for the workforce has been deferred and is subject to review later during the year.

**EXECUTIVE DIRECTOR LTIP**

The Chief Financial Officer will be granted an award for the financial year 2021 under the new Executive Director LTIP in accordance with the Remuneration Policy, further details of which are set out below.

To summarise, the terms of the new Executive Director LTIP are as follows:

- Cash awards (not shares)
- Three-year performance period
- The performance condition can be amended or substituted if events occur which cause the Committee to consider that an amended or substituted performance target would be more appropriate. Any amended or substituted target would not be materially more or less difficult to satisfy
- Malus provisions apply to unvested awards. The Committee can use its discretion to reduce, cancel or impose further conditions on the awards where it considers such action is appropriate. This includes where there has been a material misstatement of the Company's audited financial results, a serious failure of risk management or serious reputational damage
- The maximum award which can be granted to the Chief Financial Officer is 250% of base salary. The level of any awards under the LTIP remains under the consideration of the Committee
- The award will track performance against agreed financial metrics and the overall award value will be determined based on a percentage of base salary for 60% of the award, and tracking of share price for 40%

of the award.

- The element of the award utilised to track share performance will be determined based on the share price as at 2 February 2020 and at the end of the performance period
- The LTIP will measure financial performance over a 3 year period.
- 100% of any award will vest at threshold performance increasing on a straight-line basis to 250% for maximum performance.
- A minimum award value will be granted should consistent growth targets be obtained once the initial performance threshold has been met, this minimum value will not be less than awards received in previous years. This is to ensure that focus remains on sustainable and consistent growth
- Targets will be disclosed in the annual accounts for the year following a performance period

The aim of the LTIP is; to provide the Executive Directors with the opportunity to earn competitive rewards, to align the Executive Directors' interests more closely with those of the shareholders and to focus the Executive Directors on sustaining and improving the long-term financial performance of the Company and reward them appropriately for doing so.

**PERFORMANCE CONDITIONS OF THE EXECUTIVE DIRECTOR LTIP (CHIEF FINANCIAL OFFICER)**

An award under the Executive Director LTIP shall be in the form of a conditional right to receive a pre-determined cash amount 'Award'. Awards will generally only vest or become exercisable subject to the satisfaction of a performance condition measured over a three-year period 'Performance Period' determined by the Committee at the time of grant. Awards will vest dependent on the satisfaction of performance conditions determined by the Committee prior to the date of grant. The performance conditions must contain objective conditions, which must be related to the underlying financial performance of the Company.

It is intended that, for the Award to be granted to the Chief Financial Officer in 2020, the performance conditions must have been met. This is to apply over a three-

year performance period commencing from the start of the financial year immediately prior to the grant of the Award.

The award will be calculated based on four principles:

**1** 60% of the award value will be based on achieving a minimum level of Profit Before Tax (prior to exceptional items and IFRS16 adjustments). Should this minimum level be achieved awards will vest based on a sliding scale and details of the specific targets will be disclosed in the annual report on remuneration following the end of the relevant Performance Period.

**2** Should consistent growth targets be met in each of the three years within the performance period, and the minimum level of Profit Before Tax (prior to exceptional items and IFRS16 adjustments) as outlined above, have been achieved, the award will pay out at a minimum level of the value of previous awards received in the year prior to the award being made. Specific targets for the three-year growth targets will be disclosed in the annual report on remuneration following the end of the relevant Performance Period.

**3** 40% of the award value will be based on the share price as at the start of the financial year in which the award is made. This amount will be utilized to create a number of notional shares. At the end of the performance period the award value will be calculated based on the number of notional shares and the share price at the end of the performance period.

**4** The combined value of the points above will be capped at a maximum value of 250% of base salary at the point of award.

The intention of this arrangement is to diversify the metrics used in assessing performance with the LTIP, and to reward either exceptional and/or consistent growth reflecting the challenging conditions facing retailers in the current climate.

Given the disruption caused by COVID-19, the Committee reserves the right to review the planned implementation of LTIP awards for 2020/21. Consultation with shareholders would take place were a material change to be proposed.

The Committee will have the flexibility to make appropriate adjustments to the performance conditions in exceptional circumstances, to ensure that the Award achieves its original purpose. Any vesting is also subject to the Committee being satisfied that the Company's performance on these measures is consistent with underlying business performance.

#### FINANCIAL TARGETS AND STRATEGIC OBJECTIVES FOR THE ANNUAL BONUS AWARDS IN 2019/20

The split between financial targets and strategic objectives will remain two thirds and one third respectively. The targets in respect of the annual bonus for the financial year to 1 February 2020 were as follows:

- a minimum criteria of £355.2 million Profit Before Tax (prior to exceptional items and IFRS16 adjustments) for any bonus payment to be made;
- a target level of £375 million Profit Before Tax (prior to exceptional items and IFRS16 adjustments); and
- 100% of the maximum award being achieved where Profit Before Tax (prior to exceptional items and IFRS16 adjustments) reaches £400 million.

As disclosed above, earnings were in excess of the maximum payment figure due to exceptional performance.

The strategic objectives will be set against criteria in the following categories:

- 1** People – focused on increased retention and development
- 2** Environmental – focused in our integral re-use strategy
- 3** Sustainability – focused on the supply chain for our private label business
- 4** Governance – increasing transparency for our shareholder base
- 5** Digital Innovation – focused on the adoption of new technologies

The Board considers that the both the financial targets and the strategic objectives for the financial year to 31 January 2021 are commercially sensitive and so will be disclosed in the 2021 Annual Report.

#### STATEMENT OF VOTING AT GENERAL MEETING (UNAUDITED)

At the 2019 AGM, the Directors' Remuneration Report received the following votes from shareholders:

For	Against	Withheld
597,455,707 (69.48%)	262,409,076 (30.52%)	8,702,483

At the 2018 AGM, the Directors' Remuneration Policy received the following votes from shareholders:

For	Against	Withheld
753,242,894 (85.1%)	131,883,333 (14.9%)	3,966,662

#### COMPOSITION OF THE COMMITTEE AND ADVISORS (UNAUDITED)

The Committee comprises three independent Non-Executive Directors, being Andrew Leslie, Martin Davies and Heather Jackson. Andrew Leslie was appointed as the Chairman of the Committee on 1 October 2013.

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. Peter Cowgill, the Executive Chairman and Neil Greenhalgh, the Chief Financial Officer, have assisted the Committee when requested with regards to matters concerning key Executives below Board level.

The Committee can obtain independent advice at the Company's expense where they consider it appropriate and in order to perform their duties. Advice was taken during 2019/20 to support in the review and design of the new Executive LTIP arrangement, as well as benchmarking Executive remuneration, and the creation of the Remuneration Policy and the Remuneration Report.

The advice was taken at the request of Andrew Leslie and was engaged directly by him with PriceWaterhouseCoopers (PwC). This was following the meeting with Andrew Leslie and PwC, and Andrew being satisfied that the advisor had adequate knowledge, skills and representation of a wider market view. The advisor was chosen due to independence of the current auditors, and one who was not providing any advice to the Group on remuneration matters at the point of selection.

The fees for these services were £18,000 plus VAT invoiced on completion.

The Committee is formally constituted with written Terms of Reference, which are available on the Company's corporate website [www.jdplc.com](http://www.jdplc.com). The Committee engages with the major shareholders or other representative groups where appropriate concerning remuneration matters.

The Committee is mindful of the Company's social, ethical and environmental responsibilities and is satisfied that the current remuneration arrangements and policies do not encourage irresponsible behaviour.

The Committee has met twice during the year under review with each member attending all the meetings. Details of attendance at the Committee meetings are set out on page 123.

**Andrew Leslie**  
Chairman of the Remuneration Committee  
7 July 2020



# FINANCIAL

# STATEMENTS

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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. 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 judgements and estimates that are reasonable, relevant and reliable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements

- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and 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 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies 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 OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT**

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
- The Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

**Neil Greenhalgh**  
Chief Financial Officer  
7 July 2020

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF JD SPORTS FASHION PLC

### 1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of JD Sports Fashion plc ("the Company") for the 52 week period ended 1 February 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet, the Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1 to the consolidated financial statements and note C1 to the company financial statements.

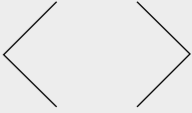
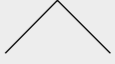


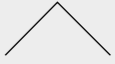
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 1 February 2020 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders in March 1996. The period of total uninterrupted engagement is for the 24 financial periods ended 1 February 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

OVERVIEW		
Materiality: group financial statements as a whole	£17.4m (2019: £15.0m)	
Coverage	4.1% (2019: 4.4% of profit before tax) of normalised profit before tax*	
	91.8% (2019: 87.7%) of Group normalised profit before tax	
KEY AUDIT MATTERS VS 2019		
Event driven risks	Group and parent Company: the impact of uncertainties consequent upon the UK's departure from the European Union on our audit	
	Group and parent Company: Going concern including the impact of Coronavirus on the business	
Recurring risks	Group: Carrying amount of Goodwill and fascia names in Go Outdoors	
	Group and parent Company: Carrying amount of inventories	
New risk	Group and parent Company: Carrying amount of IFRS 16 right of use assets and lease liabilities	

\*We have normalised 2020 profit before tax to exclude the Go Outdoors impairment (£42.6m) and the movement in the fair value of the Sport Zone put option (£32.7m).

### 2. KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities,

our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

## THE RISK

## OUR RESPONSE

**THE IMPACT OF UNCERTAINTIES CONSEQUENT UPON THE UK'S DEPARTURE FROM THE EUROPEAN UNION ON OUR AUDIT.**

Refer to page 65 (principal risk) and page 69 (viability statement).

**EXTREME LEVELS OF UNCERTAINTY:**

The UK left the European Union (EU) on 31 January 2020 and entered an implementation period which is due to operate until 31 December 2020. At that point current trade agreements with the European Union terminate. The UK is entering negotiations over future trading relationships with the EU and a number of other countries. Where new trade agreements are not in place World Trade Organisation (WTO) arrangements will be in force, meaning among other things import and export tariffs, quotas and border inspections which may cause delivery delays. Different potential outcomes of these trade negotiations could have wide ranging impacts on the Group's operations and the future economic environment in the UK and EU. In particular, in the 52 week period ended 1 February 2020 57.5% of the Group's sales were outside of the UK and hence where WTO arrangements could come into force.

All audits assess and challenge the reasonableness of estimates, in particular as described in the valuation of Goodwill in Go outdoors and related disclosures; and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The uncertainty over the UK's future trading relationships with the rest of the world and related economic effects give rise to extreme levels of uncertainty, with the full range of possible effects currently unknown.

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from the UK's departure from the EU in planning and performance our audits. Our procedures included:

- **Our knowledge of the business:** We considered the directors' assessment of risks arising from different outcomes to the trade negotiations for the Group's and parent Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks;
- **Sensitivity analysis:** When addressing the valuation of Goodwill and fascia name arising on the acquisition of Go Outdoors and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from these uncertainties and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; and
- **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on the valuation of Goodwill and fascia name arising on the acquisition of Go Outdoors, we considered all of the disclosures concerning uncertainties related to the UK's future trading relationships together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

**OUR RESULTS**

- As reported under the valuation of Goodwill and fascia name arising on the acquisition of Go Outdoors, we found the resulting estimates and related disclosures in relation to going concern to be acceptable (2019: acceptable). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the impact of the UK's departure from the EU.

## THE RISK

## OUR RESPONSE

**GOING CONCERN INCLUDING THE IMPACT OF CORONAVIRUS ON THE BUSINESS**

Refer to page 129 (Audit Committee Report), page 64 (principal risk), page 69 (viability statement) and note 1 on page 182 (accounting policy).

**UNPRECEDENTED LEVELS OF UNCERTAINTY**

The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company.

The judgement is based on an evaluation of the inherent risks to the Group's and the parent Company's business model and how those risks might affect the Group's and the parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

The risks most likely to affect the Group's and the parent Company's available financial resources over this period were:

- The uncertainty of the impact of Coronavirus with the full range of possible effects unknown given the rapidly evolving nature of the situation on financial and operational performance;
- The impact of Brexit;
- The erosion of customer or supplier confidence, which could result in a rapid reduction of financial resources as a result of Coronavirus and/or Brexit;
- General economic downturn possibly arising as a result of Coronavirus and/or Brexit;
- Market demand and increased pressure from competitors;
- Adverse fluctuations in foreign exchange rates;
- Working capital requirements as the Group continues to grow.

The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have required to have been disclosed.

**DISCLOSURE QUALITY**

Clear and full disclosures of the assessment undertaken by the Directors and the rationale for the use of the going concern assumption, represents a key financial statement disclosure requirement.

There is a risk that insufficient details are disclosed to allow a full understanding of the assessment undertaken by the Directors.

Our procedures included:

- **Funding assessment:** we assessed the loan covenant compliance to check whether the Group is at risk of breaching the covenants and reviewed the availability of cash and the cash flow forecasts to determine whether the assumptions are realistic, achievable and consistent with the external and internal environment;
- **Historical comparisons:** we considered the historical accuracy of management's forecasting in previous year in comparisons to actual performance achieved;
- **Sensitivity analysis:** we considered sensitivities over the level of financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from the risks identified individually and collectively;
- **Evaluating directors' intent:** we evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise; and
- **Assessing transparency:** we assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing the overall picture against our understanding of the risks.

**OUR RESULTS**

- We found the going concern disclosure without any material uncertainty to be acceptable (2019: acceptable). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Coronavirus and/or Brexit.

## THE RISK

## OUR RESPONSE

**CARRYING AMOUNT OF GOODWILL AND FASCIA NAMES IN GO OUTDOORS**

(£52.1 million; 2019: £97.6 million)

Refer to page 129 (Audit Committee Report) and note 12 on page 203 (accounting policy and financial disclosures).

**FORECAST BASED VALUATION:**

Goodwill and fascia names are significant and at risk of recoverability due to challenging trading conditions in certain high street retail sectors and locations that the Group operates in. The risk applies most specifically to Go Outdoors as this holds the most judgemental balances and an impairment of £42.6 million has been recognised by the Directors in the current year.

The estimated recoverable amounts are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows therefore this is one of the key areas that our audit concentrated on.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverability of goodwill and fascia names in Go Outdoors had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 12) disclose the sensitivity estimated by the Directors.

Our procedures included:

- **Historical comparisons:** we assessed the reasonableness of the budgets by considering the historical accuracy of previous forecasts;
- **Our sector experience:** we assessed whether assumptions used, in particular those relating to short term forecast revenue growth, profit margins, the discount rate and the long term growth rate, reflect our knowledge of the business and industry, including known or probable changes in the business environment;
- **Benchmarking assumptions:** using our own valuation specialists, we challenged the key inputs used in the Group's calculation of the discount rates by comparing them to externally derived data, including available sources for comparable companies;
- **Sensitivity analysis:** we performed sensitivity analysis on the key assumptions noted above; and
- **Assessing transparency:** we assessed whether the Group's disclosures about the impairment tests and resulting impairment loss appropriately reflect the risks inherent in the valuation of goodwill and fascia names.

**OUR RESULTS**

- We found the carrying amount of goodwill and fascia names in Go Outdoors to be acceptable (2019: acceptable).

## THE RISK

## OUR RESPONSE

**CARRYING AMOUNT OF INVENTORIES**

(Group £811.8 million; 2019: £763.8 million) (Company £181.6 million; 2019: £169.8 million)

Refer to page 129 (Audit Committee Report) and note 16 on page 218 (accounting policy and financial disclosures).

**SUBJECTIVE ESTIMATE:**

Inventories is one of the most significant items on the Group's and parent Company's balance sheets and is stated at the lower of cost and net realisable value.

As the Group operates in the retail business where branded products are subject to frequent changes in desirability, the assessment of net realisable value involves significant estimation uncertainty.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of inventories had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our procedures included:

- **Our sector experience:** we assessed the Directors' methodology and key assumptions behind the inventory provision, including the expected level of inventory that will not be in demand and respective sales prices, against our knowledge of the business and industry and historical track record of the Group;
- **Expectation vs. outcome:** we formed our own expectation of the inventory provision using our own view of the key assumptions above and comparing our expectation to the actual provision amount. This included analysing inventory balances by season and criteria such as inventory not bought in the last 6 months and slower moving inventory;
- **Test of detail:** we examined recent selling prices of a sample of inventory lines to check whether lines already being discounted below cost are included in the inventory provisions; and
- **Assessing transparency:** we assessed the adequacy of the financial statement disclosures about the degree of estimation in arriving at the net realisable value. We also considered the adequacy of the Group's disclosures about the degree of sensitivity to key assumptions.

**OUR RESULTS**

- We consider the valuation of inventories to be acceptable (2019 result: acceptable).

## THE RISK

## OUR RESPONSE

**CARRYING AMOUNT OF IFRS 16 RIGHT OF USE ASSETS AND LEASE LIABILITIES**

(Group: Right of use assets, £1,854.1 million, lease liabilities, £1,992.7 million; parent Company: £451.0 million, lease liabilities £489.2 million)

Refer to page 129 (Audit Committee Report) and note 14 on page 212 (accounting policy and financial disclosures).

**SUBJECTIVE ESTIMATE:**

The new leases standard, IFRS 16, applies for the first time for the 2020 year end. Given the number of leases within the Group retail estate the impact on the financial statements is very significant.

The estimate of the carrying amount of right of use assets and lease liabilities is complex and relies on a number of assumptions for which there is an inherent risk of error:

- Accurate lease data is needed for the whole population of leased shops; the volume of data points increases the risk of error;
- Discount rates are inherently unobservable and need to approximate to shop/lease-specific factors such as commencement date; and
- Judgements are required in determining the appropriate lease term, including the expectation of the likelihood of renewal and length of hold over.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of IFRS 16 right of use assets and lease liabilities had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our procedures included:

- **Methodology choice:** we assessed the calculation methodology to check whether it operates in line with the requirements of the accounting standard;
- **Our sector experience:** we assessed the Group's assumptions on lease terms with reference to historical experience of lease renewals and our understanding of the business;
- **Benchmarking assumptions:** we compared the discount rates applied with market data and considering the need for property-specific adjustments;
- **Test of detail:** we compared the shops included in the calculation of the lease liability with the lease data accumulated from our prior year audits and lease changes in current year and for a sample of lease agreements, agreed the key data points to underlying lease agreements and variations; and
- **Assessing transparency:** we assessed whether the Group's disclosures in respect of the impact on adoption of IFRS 16 and the sensitivity to assumptions appropriately reflect the inherent risks.

**OUR RESULTS**

- We found the resulting estimate of the valuation of IFRS 16 right of use assets and lease liabilities to be acceptable.

**3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT**

The materiality of the Group financial statements as a whole was set at £17.4 million (2019: £15.0 million), determined with reference to a benchmark of Group normalised profit before tax of £424.3 million (2019: £339.9 million) which represents 4.1% (2019: 4.4%). For the current year we have normalised the amount of profit to exclude the Go Outdoors impairment of (£43.1m) and the movement in the fair value of the Sport Zone put option (£32.7m).

The materiality of the parent Company financial statements as a whole was set at £11.4 million (2019: £11.4 million), determined with reference to a benchmark of parent Company profit before tax of £291.5 million (2019: £229.0 million), which represents 3.9% (2019: 4.9%).

We report to the Audit Committee any corrected and uncorrected misstatements exceeding £0.90 million (2019: £0.75 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 71 (2019: 59) reporting components, we subjected 9 (2019: 8) to audits for group reporting purposes and 1 (2019: nil) to specified risk focused audit procedures covering the specific risk areas including those identified in this report.

The remaining 17.8% (2019: 21%) of total Group revenue, 8.2% (2019: 12%) of Group profit before tax and 9% (2019: 22%) of total Group assets is represented by 61 reporting components (2019: 51), none of which individually represented more than 3% of any total Group revenue, Group profit before tax or total Group assets. For these remaining components, we performed analysis at an aggregated group level and at a disaggregated entity level, to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including relevant risks detailed above and the detailed information to be reported back. The Group team approved the component materialities, which ranged from £1.0m to £11.4m (2019: £0.6m to £11.4m), having regard to the mix of size and risk profile of the Group across the components. The work on 6 out of the 10 components (2019: 4 of the 8 components) was performed by component auditors and the rest by the Group team. The parent Company audit was performed by the Group audit team.

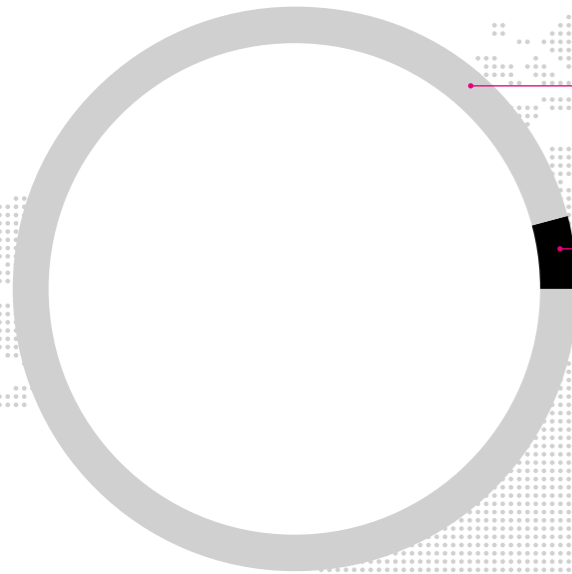
The Group audit team performed specified procedures on the amounts which were excluded in arriving at the normalised Group profit before tax for the current year as identified above.

The Group team had planned to visit component locations in Spain, Portugal, France, USA and in the UK. However, these visits were prevented by movement restrictions relating to the COVID-19 pandemic. Instead the Group team attended meetings via conference call with 5 (2019: 4) component teams (for Spain, Portugal, France, USA and Footasylum), which included assessing the audit risk and strategy. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. The Group team also reviewed specific areas of the component auditor's files.



**NORMALISED PROFIT BEFORE TAX**  
£423.8m (2019: £339.9m)

**PROFIT BEFORE TAX** £423.8M



**GROUP MATERIALITY** £17.4M

**GROUP MATERIALITY**  
£17.4m (2019: £15.0m)

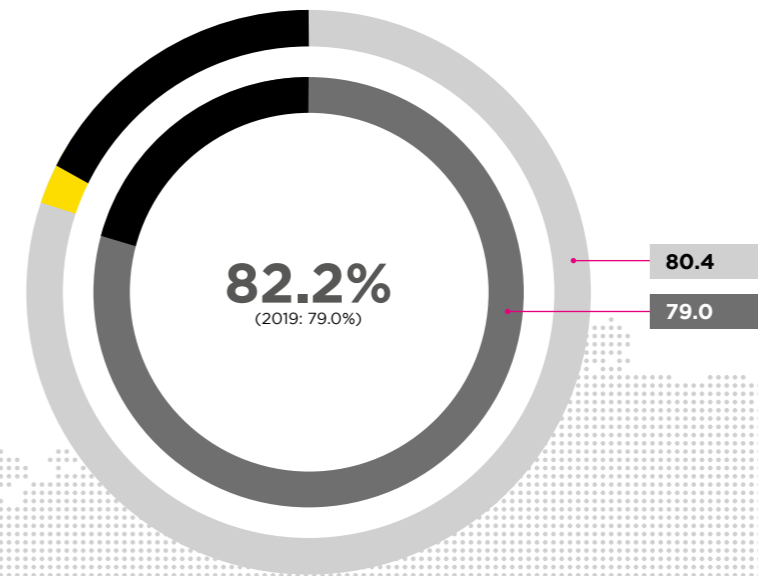
Whole financial statements materiality (2019: £15m)

Range of materiality at 9 components (£1m to £11.4m) (2019: £0.6m to £11.4m)

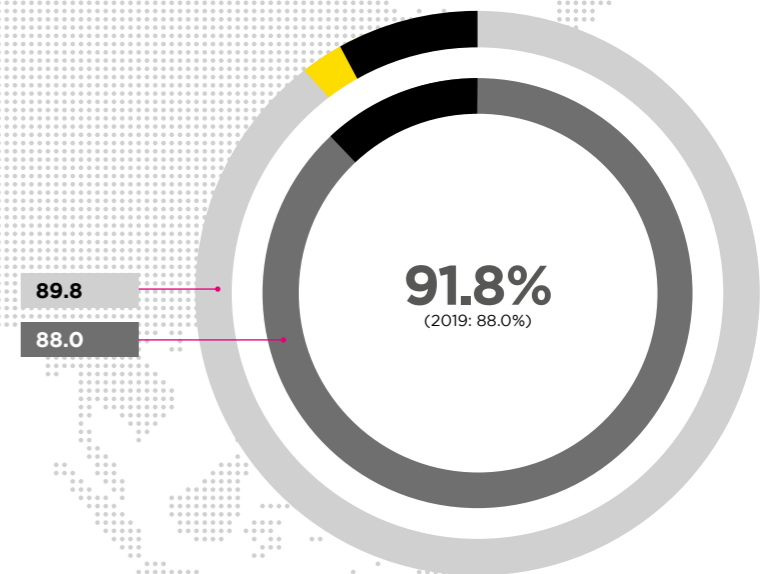
Misstatements reported to the audit committee (2019: £0.75m)



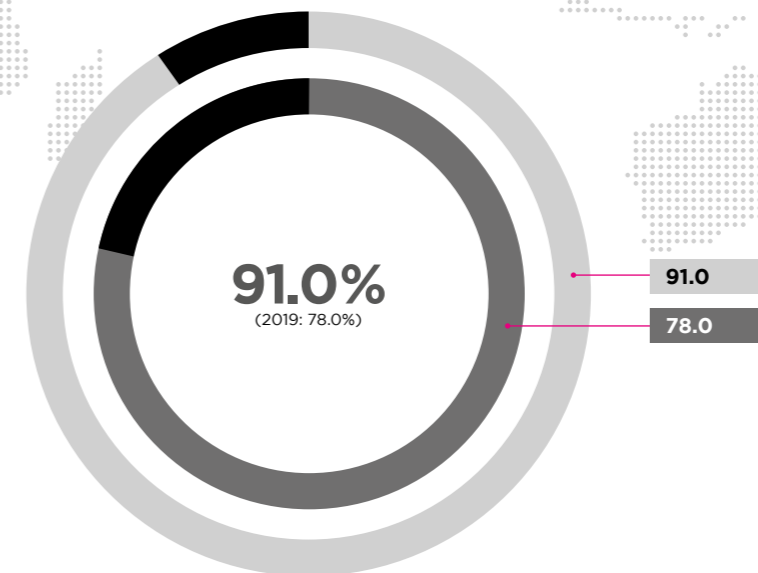
**GROUP REVENUE**



**GROUP PROFIT BEFORE TAX**



**GROUP TOTAL ASSETS**



- Full scope for group audit purposes 2020
- Specified risk focussed audit procedures 2020
- Full scope for group audit purposes 2019
- Residual components

#### 4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the parent Company or the Group or to cease their operations, and as they have concluded that the parent Company's and the Group's financial position means that this is realistic.

They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and parent Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- We have anything material to add or draw attention to in relation to the director's statements in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- The related statement under the Listing Rules set out on page 69 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

#### 5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

##### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

##### Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement page 69 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and the parent Company's longer-term viability.

##### Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary

for shareholders to assess the Group's position and performance, business model and strategy; or

- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

#### 6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

#### 7. RESPECTIVE RESPONSIBILITIES

##### Directors' responsibilities

As explained more fully in their statement set out on pages 162 to 163, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from

material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **Irregularities – ability to detect**

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and

regulations identified at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and

regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

#### **8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

#### **STUART BURDASS**

**(Senior Statutory Auditor)for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

1 St. Peter's Square, Manchester, M2 3AE

7th July 2020

For the 52 weeks ended 1 February 2020

		52 weeks to 1 February 2020	52 weeks to 1 February 2020	52 weeks to 2 February 2019	52 weeks to 2 February 2019
	Note	£m	£m	£m	£m
<b>Revenue</b>			<b>6,110.8</b>		4,717.8
Cost of sales			<b>(3,236.0)</b>		(2,474.5)
<b>Gross profit</b>			<b>2,874.8</b>		2,243.3
Selling and distribution expenses			<b>(2,020.2)</b>		(1,632.9)
Administrative expenses – normal		<b>(348.6)</b>		(253.6)	
Administrative expenses – exceptional	4	<b>(90.3)</b>		(15.3)	
Administrative expenses			<b>(438.9)</b>		(268.9)
Other operating income			<b>10.9</b>		4.7
<b>Operating profit before financing</b>			<b>426.6</b>		346.2
Before exceptional items			<b>516.9</b>		361.5
Exceptional items	4		<b>(90.3)</b>		(15.3)
Financial income	7		<b>1.7</b>		1.2
Financial expenses	8		<b>(79.8)</b>		(7.5)
<b>Profit before tax</b>	3		<b>348.5</b>		339.9
Income tax expense	9		<b>(97.8)</b>		(75.7)
<b>Profit for the period</b>			<b>250.7</b>		264.2
Attributable to equity holders of the parent			<b>246.1</b>		261.8
Attributable to non-controlling interest	25		<b>4.6</b>		2.4
Basic earnings per ordinary share	10		<b>25.29p</b>		26.90p
Diluted earnings per ordinary share	10		<b>25.29p</b>		26.90p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 1 February 2020

		52 weeks to 1 February 2020	52 weeks to 2 February 2019
		£m	£m
<b>Profit for the period</b>		<b>250.7</b>	264.2
Other comprehensive income:			
Items that may be classified subsequently to the Consolidated Income Statement:			
Exchange differences on translation of foreign operations		<b>(21.5)</b>	(0.8)
<b>Total other comprehensive income for the period</b>		<b>(21.5)</b>	(0.8)
<b>Total comprehensive income and expense for the period (net of income tax)</b>		<b>229.2</b>	263.4
Attributable to equity holders of the parent		<b>227.2</b>	260.0
Attributable to non-controlling interest		<b>2.0</b>	3.4

As at 1 February 2020

		As at 1 February 2020	As at 2 February 2019
	Note	£m	£m
<b>Assets</b>			
Intangible assets	12	<b>413.7</b>	394.3
Property, plant and equipment	13	<b>2,420.1</b>	539.8
Other assets	15	<b>47.9</b>	79.1
Investment in associate		<b>2.6</b>	0.1
<b>Total non-current assets</b>		<b>2,884.3</b>	1,013.3
Inventories	16	<b>811.8</b>	763.8
Trade and other receivables	17	<b>183.9</b>	177.2
Cash and cash equivalents	18	<b>465.9</b>	251.2
<b>Total current assets</b>		<b>1,461.6</b>	1,192.2
<b>Total assets</b>		<b>4,345.9</b>	2,205.5
<b>Liabilities</b>			
Interest-bearing loans and borrowings	19	<b>(20.4)</b>	(63.8)
Lease Liabilities	14	<b>(285.0)</b>	-
Trade and other payables	21	<b>(900.7)</b>	(808.1)
Provisions	22	<b>-</b>	(1.3)
Income tax liabilities		<b>(34.3)</b>	(27.3)
<b>Total current liabilities</b>		<b>(1,240.4)</b>	(900.5)
Interest-bearing loans and borrowings	19	<b>(15.6)</b>	(62.2)
Lease Liabilities	14	<b>(1,707.7)</b>	-
Other payables	21	<b>(80.5)</b>	(153.8)
Provisions	22	<b>-</b>	(1.2)
Deferred tax liabilities	23	<b>(12.5)</b>	(11.0)
<b>Total non-current liabilities</b>		<b>(1,816.3)</b>	(228.2)
<b>Total liabilities</b>		<b>(3,056.7)</b>	(1,128.7)
<b>Total assets less total liabilities</b>		<b>1,289.2</b>	1,076.8
<b>Capital and reserves</b>			
Issued ordinary share capital	24	<b>2.4</b>	2.4
Share premium		<b>11.7</b>	11.7
Retained earnings		<b>1,245.7</b>	1,016.3
Other reserves		<b>(40.6)</b>	(21.6)
<b>Total equity attributable to equity holders of the parent</b>		<b>1,219.2</b>	1,008.8
Non-controlling interest	25	<b>70.0</b>	68.0
<b>Total equity</b>		<b>1,289.2</b>	1,076.8

These financial statements were approved by the Board of Directors on 7 July 2020 and were signed on its behalf by:

**N Greenhalgh**  
**Director**  
Registered number: 1888425

For the 52 weeks ended 1 February 2020

	Ordinary share capital	Share premium	Retained earnings	Other equity	Foreign currency translation reserve	Total equity attributable to equity holders of the parent	Non- controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 3 February 2018</b>	<b>2.4</b>	<b>11.7</b>	<b>773.6</b>	<b>(33.8)</b>	<b>16.5</b>	<b>770.4</b>	<b>63.9</b>	<b>834.3</b>
Profit for the period	-	-	261.8	-	-	<b>261.8</b>	2.4	<b>264.2</b>
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	(1.8)	<b>(1.8)</b>	1.0	<b>(0.8)</b>
Total other comprehensive income	-	-	-	-	(1.8)	<b>(1.8)</b>	1.0	<b>(0.8)</b>
Total comprehensive income for the period	-	-	261.8	-	(1.8)	<b>260.0</b>	3.4	<b>263.4</b>
Dividends to equity holders	-	-	(15.9)	-	-	<b>(15.9)</b>	(0.7)	<b>(16.6)</b>
Put options held by non-controlling interests	-	-	-	(2.5)	-	<b>(2.5)</b>	-	<b>(2.5)</b>
Acquisition of non-controlling interest	-	-	(4.1)	-	-	<b>(4.1)</b>	(5.2)	<b>(9.3)</b>
Divestment of non-controlling interest	-	-	0.9	-	-	<b>0.9</b>	0.4	<b>1.3</b>
Non-controlling interest arising on acquisition	-	-	-	-	-	-	(0.2)	<b>(0.2)</b>
Share capital issued	-	-	-	-	-	-	6.4	<b>6.4</b>
<b>Balance at 2 February 2019</b>	<b>2.4</b>	<b>11.7</b>	<b>1,016.3</b>	<b>(36.3)</b>	<b>14.7</b>	<b>1,008.8</b>	<b>68.0</b>	<b>1,076.8</b>
Profit for the period	-	-	246.1	-	-	<b>246.1</b>	4.6	<b>250.7</b>
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	-	(18.9)	<b>(18.9)</b>	(2.6)	<b>(21.5)</b>
Total other comprehensive income	-	-	-	-	(18.9)	<b>(18.9)</b>	(2.6)	<b>(21.5)</b>
Total comprehensive income for the period	-	-	246.1	-	(18.9)	<b>227.2</b>	2.0	<b>229.2</b>
Dividends to equity holders	-	-	(16.7)	-	-	<b>(16.7)</b>	(1.3)	<b>(18.0)</b>
Put options held by non-controlling interests	-	-	-	(0.1)	-	<b>(0.1)</b>	-	<b>(0.1)</b>
Non-controlling interest arising on acquisition	-	-	-	-	-	-	1.3	<b>1.3</b>
<b>Balance at 1 February 2020</b>	<b>2.4</b>	<b>11.7</b>	<b>1,245.7</b>	<b>(36.4)</b>	<b>(4.2)</b>	<b>1,219.2</b>	<b>70.0</b>	<b>1,289.2</b>

For the 52 weeks ended 1 February 2020

		52 weeks to 1 February 2020	52 weeks to 2 February 2019
	Note	£m	£m
<b>Cash flows from operating activities</b>			
Profit for the period		<b>250.7</b>	264.2
Income tax expense	9	<b>97.8</b>	75.7
Financial expenses	8	<b>79.8</b>	7.5
Financial income	7	<b>(1.7)</b>	(1.2)
Depreciation and amortisation of non-current assets	3	<b>450.0</b>	115.0
Forex losses on monetary assets and liabilities		<b>9.9</b>	2.5
Impairment of other intangibles and non-current assets		<b>12.9</b>	11.9
Loss on disposal of non-current assets		<b>6.3</b>	2.0
Other exceptional items		<b>47.2</b>	7.2
Impairment of goodwill and fascia names		<b>43.1</b>	8.1
Increase in inventories		<b>(9.5)</b>	(26.2)
Increase in trade and other receivables		<b>(13.0)</b>	(22.5)
Increase in trade and other payables		<b>58.1</b>	21.2
Interest paid		<b>(7.9)</b>	(7.5)
Lease interest		<b>(71.9)</b>	-
Income taxes paid		<b>(97.8)</b>	(80.3)
<b>Net cash from operating activities</b>		<b>854.0</b>	377.6
<b>Cash flows from investing activities</b>			
Interest received		<b>1.7</b>	1.2
Proceeds from sale of non-current assets		<b>3.1</b>	1.0
Investment in software development	12	<b>(23.2)</b>	(12.3)
Acquisition of property, plant and equipment	13	<b>(147.2)</b>	(173.6)
Acquisition of non-current other assets	15	<b>(6.8)</b>	(5.1)
Acquisition of subsidiaries, net of cash acquired		<b>(89.3)</b>	(362.0)
<b>Net cash used in investing activities</b>		<b>(261.7)</b>	(550.8)
<b>Cash flows from financing activities</b>			
(Repayment) / draw down of interest-bearing loans and borrowings		<b>(88.6)</b>	82.1
Repayment of lease liabilities		<b>(264.8)</b>	-
Repayment of finance lease liabilities		-	(1.5)
Draw down of finance lease liabilities		-	5.8
Subsidiary shares issued in the period		-	6.4
Equity dividends paid	26	<b>(16.7)</b>	(15.9)
Dividends paid to non-controlling interest in subsidiaries		<b>(1.3)</b>	(0.7)
<b>Net cash (used) / from in financing activities</b>		<b>(371.4)</b>	76.2
<b>Net increase / (decrease) in cash and cash equivalents</b>	29	<b>220.9</b>	(97.0)
<b>Cash and cash equivalents at the beginning of the period</b>	29	<b>237.7</b>	334.6
Foreign exchange gains on cash and cash equivalents	29	<b>1.7</b>	0.1
<b>Cash and cash equivalents at the end of the period</b>	29	<b>460.3</b>	237.7

## 1. Basis of Preparation

### GENERAL INFORMATION

JD Sports Fashion Plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The financial statements for the 52 week period ended 1 February 2020 represent those of the Company and its subsidiaries (together referred to as the 'Group').

The financial statements were authorised for issue by the Board of Directors on 7 July 2020.

### BASIS OF PREPARATION

European Union law ('EU 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 1 February 2020.

The financial statements are presented in pounds sterling, rounded to the nearest tenth of a million.

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 and also put and call options held by the non-controlling interests.

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 Executive Chairman's Statement and Financial and Risk Review on pages 32 to 39 and pages 65 to 68 respectively. In addition, details of financial instruments and exposures to interest rate, foreign currency, credit and liquidity risks are outlined in Note 20.

At 1 February 2020, the Group had net cash balances of £429.9 million (2019: £125.2 million) with available committed UK borrowing facilities of £700 million (2019: £400 million) of which £nil million (2019: £30 million) has been drawn down (see Note 19) and US facilities of \$300million of which \$nil was drawn down. These facilities are subject to certain covenants (see note 19). With a UK facility of £700 million available up to 6 November 2024 and a US facility of \$300m available up until 18 June 2023, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Despite the Group's strong position at the end of the financial year, it is now clear that the effects of Covid-19 will result in a material reduction in our expectations for revenue and profit for the next financial period ending 30 January 2021. To date we have seen a decline in physical store revenue as stores have had to close which has been only partially countered by a strong online revenue performance as our customers have moved even more online. Only a relatively short period of time has elapsed since the re-opening of stores in our core markets, we are encouraged by the initial results but believe it is inevitable that there will be some level of permanent transfer from physical retail to online as a consequence of Covid-19.

To date we have taken a number of actions to strongly control cash and as at 22 June 2020 the Group had net cash balances of £570 million which is stated net of a drawdown of £190 million from the available committed facilities in the UK of £700 million. The \$300 million ABL facility in the United States remains undrawn.

Based on our experience of trading to date, the Group has reforecast and modelled a base case and a number of severe but plausible scenarios taking account of the length of any potential additional localised lockdowns, transition from physical sales to online, the resulting impact on margin and management's controllable mitigating actions on costs.

## 1. Basis of Preparation (continued)

These reforecasts cover the period to 31 July 2021 and on the base case and sensitised basis show that the Group will be able to operate within the levels of its agreed facilities and covenant requirements to 31 July 2021 being a period of at least 12 months from the date of approval of the financial statements.

Whilst the Directors consider that there is a degree of subjectivity involved in the assumptions that have modelled on the basis of the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence to 31 July 2021 being a period of at least 12 months from the date of approval of these Financial Statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Financial Statements.

### BASIS OF CONSOLIDATION

#### I. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

#### 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 Consolidated Statement of Financial Position 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.

#### CHANGES IN OWNERSHIP INTEREST WITHOUT A LOSS OF CONTROL

In accordance with IAS 27 'Consolidated and Separate Financial Statements' (2008), upon a change in ownership interest in a subsidiary without a loss of control, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. Acquisitions or disposals of non-controlling interests are therefore accounted for as transactions with owners in their capacity as owners and no goodwill is recognised as a result of such transactions. Associated transaction costs are accounted for within equity.

#### ALTERNATIVE PERFORMANCE MEASURES

The Directors measure the performance of the Group based on a range of financial measures, including measures not recognised by EU-adopted IFRS. These alternative performance measures may not be directly comparable with other companies' alternative performance measures and the Directors do not intend these to be a substitute for, or superior to, IFRS measures. The Directors believe that these alternative performance measures assist in providing additional useful information on the underlying

## 1. Basis of Preparation (continued)

performance of the Group. Alternative performance measures are also used to enhance the comparability of information between reporting periods, by adjusting for exceptional items, which could distort the understanding of the performance for the year.

Further information can be found in the Glossary on page 275.

### ADOPTION OF NEW AND REVISED STANDARDS

The following amendments to accounting standards and interpretations, issued by the International Accounting Standards Board (IASB), have been adopted by the Group in the period, only IFRS16 has had a significant impact on its consolidated results and financial position:

- Annual Improvements to IFRSs 2015–2017 Cycle
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Amendments to IFRS 9 'Financial Instruments'
- Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures'
- Amendments to IAS 19 'Employee Benefits'
- IFRS 16 'Leases'

#### IFRS 16 'Leases'

The Group has adopted IFRS 16 Leases from 3 February 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under

which any cumulative effect of initial application is recognised in retained earnings at 3 February 2019. Accordingly the comparative information presented for the period to 3 February 2018 has not been restated. Therefore it is presented as previously reported under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below.

#### I. Definition of a lease

The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 3 February 2019.

#### II. As a lessee

The Group leases assets which consist of properties, vehicles and equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 1. Basis of Preparation (continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

Prior to 3 February 2019, the Group classified property leases as operating leases under IAS 17. These include retail, warehouse and office facilities. These leases typically run for a period of 10 years. Some leases include an option to renew the lease for an additional number of years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 3 February 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous

For any finance leases, the carrying amount of the right-of-use asset and the lease liability at 3 February 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

#### III. As a lessor

The Group sub-leases a small number of properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. The Group has classified these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

#### IV. Impacts on transition

On transition to IFRS 16, the Group recognised a right-of-use asset, including investment property, and lease liabilities, recognising any difference in retained earnings. The impact on transition is summarised below (not including the adjustment for deferred income, initial direct costs or onerous leases).

## 1. Basis of Preparation (continued)

	3 February 2019
	£m
Right-of-use asset presented in property, plant and equipment	2,007.8
Lease liabilities	2,007.8
Retained earnings	-

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the incremental borrowing rate at 3 February 2019. The weighted average rate applied at transition was 2.9%. As at 1 February 2020, the weighted average discount rate applied to the lease portfolio of the Group is 3.5%.

A reconciliation of the Group's operating lease commitment at 2 February 2019 to the lease liability recognised at transition to IFRS16 is shown below.

	3 February 2019
	£m
Operating lease commitment at 2nd February 2019 as disclosed in the Group's consolidated financial statements	1,619.0
Discounted using the incremental borrowing rate at 3rd February 2019	(424.4)
Recognition exemption for leases of low value assets and for leases with less than 12 months of lease term at transition	(19.8)
Extension options reasonably certain to be exercised	781.0
Working capital movements	(0.6)
Effects of changes in exchange rates for foreign subsidiaries	(32.5)
Intercompany leases	(13.2)
Adjustment for expired leases	98.3
Lease liabilities recognised at 3 February 2019	2,007.8
Adjustment for deferred income, initial direct costs or onerous leases	(112.7)
Opening Right of Use asset at 3 February 2019	1,895.1

**V. Impacts for the period**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised £1.8 billion of right-of-use assets and £2.0 billion of lease liabilities as at 3 February 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the 52 weeks ended 1 February 2020, the Group recognised £303.3 million of depreciation and £71.9 million of interest from these leases.

The indicative impact of the adoption of IFRS 16 disclosed in the pre-transition financial statements was a right-of-use asset of approximately £1.8 billion, with corresponding lease liability of £1.9 billion (after adjustments for deferred income,

initial direct costs or onerous leases). As a result of the finalisation of the accounting judgement relating to the estimated lease term on expired leases, an additional £0.1 billion has been calculated and added to both the right of use asset and the corresponding lease liability.

**Other**

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed and require adoption by the Group in future reporting periods. The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

## 1. Basis of Preparation (continued)

Standard	Summary of changes	EU Endorsement status
Amendments to References to the Conceptual Framework in IFRS Standards	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 to update those pronouncements with regard to the revised the Conceptual Framework	Endorsed (29 November 2019), EU effective date 1 January 2020
Amendment to IFRS 3 Business Combinations	Amendment to IFRS 3 to clarify the definition of business	Not yet endorsed
Amendments to IAS 1 and IAS 8	Amendment to IAS 1 and IAS 8 to update the definition of material	Endorsed (29 November 2019), EU effective date 1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39	Amendments to IFRS 7, IFRS 9 and IAS 39 addressing issues affecting financial reporting in the period leading up to IBOR reform	Endorsed (15 January 2020), EU effective date 1 January 2020

**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 estimates disclosed below are those which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. All other accounting estimates and judgements are disclosed within the relevant accounting policy in the notes to the financial statements.

**CHANGES TO CRITICAL ACCOUNTING ESTIMATES****Footasylum acquisition**

The transaction to acquire Footasylum Plc was reviewed by the Competition and Markets Authority ('CMA') who announced in its Final Report on 6th May 2020 that they were prohibiting the merger and that, consequently, they required the Group to fully divest its investment. The Group are currently in negotiations with the CMA as to how the disposal process will be conducted and monitored and have also made a claim for Judicial Review to the Competition Appeal Tribunal. Consequently, at the date of this announcement, the exact nature and timing of the disposal process is unknown and the Group may not recover the carrying value as part of this disposal.

**Iberian Sports Retail Group Put Option**

The Group holds Put Options over part of the remaining Minority Interest in Iberian Sport Retail Group, these options are required to be fair valued at each accounting period date. A valuation has been performed by management using an EBITDA multiple, a suitable discount rate and approved forecasts. The valuation



## 1. Basis of Preparation (continued)

is considerably higher than the previous year which is primarily due to substantially better trading performance.

### Valuation of rolling leases

In initially applying IFRS16 Leases, the Group has applied judgement to determine the lease term for certain lease contracts in which the Group is a lessee that either have no specified end date, or where the Group continues to occupy the property despite the contractual lease end date having passed. In determining the lease term, the Group takes into consideration its commercial strategy on a store by store basis and the future intentions of the Group regarding the duration of continuing occupation of the property. For lease contracts falling into these parameters, the associated lease liability is calculated at the present value of the minimum lease payments over the estimated lease term, discounted at the group's incremental cost of borrowing. A corresponding right of use asset is also recognised.

### CRITICAL ACCOUNTING ESTIMATES

#### Impairment of Goodwill

Goodwill arising on acquisition is allocated to groups of cash-generating units that are expected to benefit from the synergies of the business combination from which goodwill arose. Goodwill is allocated to groups of cash-generating units, being portfolios of stores or individual businesses. The cash-generating units used to monitor goodwill and test it for impairment are therefore the store portfolios and individual businesses rather than individual stores, as the cash flows of individual stores are not considered to be independent. The recoverable amounts of these cash-generating units are 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. See Note 12 for further disclosure on impairment of goodwill and review of the key assumptions used.

#### Impairment of Other Intangible Assets with Definite Lives

The Group is required to test whether other intangible assets with a definite useful economic life have suffered any impairment. The recoverable amount of brand names is based on an estimation of future sales and the choice of a suitable royalty and discount rate in order to calculate the present value, when this method is deemed the most appropriate. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the asset until the licence expiry date and the choice of a suitable discount rate in order to calculate the present value. Impairment losses are recognised in the Consolidated Income Statement. Note 12 provides further disclosure on impairment of other intangible assets with definite lives, including review of the key assumptions used.

#### Provisions to Write Inventories Down to Net Realisable Value

The Group makes provisions for obsolescence, mark downs and shrinkage based on historical experiences, the quality of the current season buy, market trends and management estimates of future events. The provision requires estimates for shrinkage, the expected future selling price of items and identification of aged and obsolete items.

### REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of price discounts and sales related taxes.

## 1. Basis of Preparation (continued)

### Goods Sold Through Retail Stores and Trading Websites

In the case of goods sold through the retail stores and trading websites, revenue is recognised when goods are sold and the title has passed, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale and this provision is included within accruals. Retail sales are usually in cash, by debit card or by credit card.

- For online sales and click and collect orders, where the customer pays online but collects in store, title is deemed to have passed when the goods are dispatched from the warehouse.
- For reserve and collect, where the customer reserves online but pays at the point of collection from the store, the title is deemed to have passed when the goods are collected by the customer.

### Wholesale Revenue

Wholesale revenue is recognised when goods are dispatched and the title and control over a product have passed to the customer. In some instances, goods are sold with a right of return. Where wholesale goods are sold with a right of return, a provision is made to estimate the expected level of returns based on accumulated experience and historical rates. The provision for returns is included within accruals. Wholesale sales are either settled by cash received in advance of the goods being dispatched or made on agreed credit terms.

### Gym Membership Revenue

Revenue from the sale of fitness club memberships is recognised in the period the membership relates to. JD Gyms offers gym membership with no contract therefore income related to joining fees are recognised immediately on the basis that the related service has been performed. For new club openings, memberships are sold and joining fees are collected in the period before the new club is opened. Membership income received in advance of the club opening is deferred until the club is open and then recognised on an accruals basis over the related membership period.

### Discount Card Revenue

Income from the sale of annual discount cards is accounted for on a systematic basis over the 12 month life of the card which best matches the profile of the spend on these cards.

### Gift Cards

The initial sale of a gift card is treated as an exchange of tender with the revenue recognised when the cards are redeemed by the customer. Revenue from gift card breakage is recognised when the likelihood of the customer utilising the gift card becomes remote.

## 2. Segmental Analysis

IFRS 8 'Operating Segments' requires the Group's segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources to the segments and to assess their performance. The Chief Operating Decision Maker is considered to be the Executive Chairman of JD Sports Fashion Plc.

Information reported to the Chief Operating Decision Maker is focussed on the nature of the businesses within the Group. The Group's operating and reportable segments under IFRS 8 are therefore Sports Fashion and Outdoor.

The Chief Operating Decision Maker receives and reviews segmental operating profit. Certain central administrative costs including Group Directors' salaries are included within the Group's core Sports Fashion result. This is consistent with the results as reported to the Chief Operating Decision Maker.

IFRS 8 requires disclosure of information regarding revenue from major products and customers. The majority of the Group's revenue is derived from the retail of a wide range of apparel, footwear and accessories to the general public. As such, the disclosure of revenues from major customers is not appropriate. Disclosure of revenue from major product groups is not provided at this time due to the cost involved to develop a reliable product split on a same category basis across all companies in the Group.

Intersegment transactions are undertaken in the ordinary course of business on arm's length terms.

The Board consider that certain items are cross divisional in nature and cannot be allocated between the segments on a meaningful basis. Net funding costs and taxation are treated as unallocated reflecting the nature of the Group's syndicated borrowing facilities and its tax group. A deferred tax liability of £12.5 million (2019: £11.0 million) and an income tax liability of £34.3 million (2019: £27.3 million) are included within the unallocated segment. During the year, there has been a draw down on the syndicated bank facility of £nil (2019: £30.0 million). This has been treated as unallocated.

Each segment is shown net of intercompany transactions and balances within that segment. The eliminations remove intercompany transactions and balances between different segments which primarily relate to the net down of long term loans and short term working capital funding provided by JD Sports Fashion Plc (within Sports Fashion) to other companies in the Group, and intercompany trading between companies in different segments.

## 2. Segmental Analysis (continued)

### BUSINESS SEGMENTS

Information regarding the Group's reportable operating segments for the 52 weeks to 1 February 2020 is shown below:

	Sports Fashion	Outdoor	Unallocated	Total
Income statement	£m	£m	£m	£m
Revenue	5,696.8	414.0		<b>6,110.8</b>
Operating profit / (loss) before exceptional items	533.2	(16.3)		<b>516.9</b>
Exceptional items	(40.6)	(49.7)		<b>(90.3)</b>
Operating profit / (loss)	492.6	(66.0)		<b>426.6</b>
Financial income			1.7	<b>1.7</b>
Financial expenses	(64.7)	(7.2)	(7.9)	<b>(79.8)</b>
<b>Profit before tax</b>	<b>427.9</b>	<b>(73.2)</b>	<b>(6.2)</b>	<b>348.5</b>
Income tax expense				<b>(97.8)</b>
Profit for the period				<b>250.7</b>

	Sports Fashion	Outdoor	Unallocated	Eliminations	Total
Total assets and liabilities	£m	£m	£m	£m	£m
Total assets	4,047.7	411.7	-	(113.5)	4,345.9
Total liabilities	(2,723.5)	(393.9)	(52.8)	113.5	(3,056.7)
<b>Total segment net assets / (liabilities)</b>	<b>1,324.2</b>	<b>17.8</b>	<b>(52.8)</b>	<b>-</b>	<b>1,289.2</b>

	Sports Fashion	Outdoor	Total
Other segment information	£m	£m	£m
<b>Capital expenditure:</b>			
Software development	23.2	-	23.2
Property, plant and equipment	138.4	8.8	147.2
Right of use	408.5	9.6	418.1
Non-current other assets	6.8	-	6.8
<b>Depreciation, amortisation and impairments:</b>			
Depreciation and amortisation of non-current assets	132.3	14.4	146.7
Depreciation and amortisation of right of use assets	274.9	28.4	303.3
Impairment of intangible assets (exceptional items)	0.6	42.5	43.1
Impairment of non-current assets (non exceptional items)	5.0	-	5.0
Impairment of right of use assets	7.0	0.8	7.8

## 2. Segmental Analysis (continued)

The comparative segmental results for the 52 weeks to 2 February 2019 are as follows:

	Sports Fashion	Outdoor	Unallocated	Total
Income statement	£m	£m	£m	£m
Revenue	4,296.4	421.4		<b>4,717.8</b>
Operating profit before exceptional items	365.8	(4.3)		<b>361.5</b>
Exceptional items	(13.7)	(1.6)		<b>(15.3)</b>
Operating profit	352.1	(5.9)		<b>346.2</b>
Financial income			1.2	<b>1.2</b>
Financial expenses			(7.5)	<b>(7.5)</b>
<b>Profit before tax</b>	<b>352.2</b>	<b>(5.8)</b>	<b>(6.3)</b>	<b>339.9</b>
Income tax expense				<b>(75.7)</b>
Profit for the period				<b>264.2</b>

	Sports Fashion	Outdoor	Unallocated	Eliminations	Total
Total assets and liabilities	£m	£m	£m	£m	£m
Total assets	2,039.2	255.9	-	(89.6)	2,205.5
Total liabilities	(978.5)	(171.5)	(68.3)	89.6	(1,128.7)
<b>Total segment net assets / (liabilities)</b>	<b>1,060.7</b>	<b>84.4</b>	<b>(68.3)</b>	<b>-</b>	<b>1,076.8</b>

	Sports Fashion	Outdoor	Total
Other segment information	£m	£m	£m
<b>Capital expenditure:</b>			
Software development	12.3	-	12.3
Property, plant and equipment	159.7	13.9	173.6
Non-current other assets	5.1	-	5.1
<b>Depreciation, amortisation and impairments:</b>			
Depreciation and amortisation of non-current assets	101.4	13.6	115.0
Impairment of intangible assets (exceptional items)	8.1	-	8.1
Impairment of non-current assets (non exceptional items)	11.2	0.7	11.9

### GEOGRAPHICAL INFORMATION

The Group's operations are located in the UK, Australia, Austria, Belgium, Canada, Denmark, Dubai, Finland, France, Germany, Hong Kong, India, Italy, Malaysia, the Netherlands, New Zealand, Portugal, Republic of Ireland, Singapore, South Korea, Spain and the Canary Islands, Sweden, Thailand and the United States of America.

The following table provides analysis of the Group's revenue by geographical market, irrespective of the origin of the goods / services:

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
Revenue	£m	£m
UK	<b>2,599.2</b>	2,137.9
Europe	<b>1,619.2</b>	1,368.6
US	<b>1,611.0</b>	967.3
Rest of world	<b>281.4</b>	244.0
	<b>6,110.8</b>	4,717.8

The revenue from any individual country, with the exception of the UK & US, is not more than 10% of the Group's total revenue.

## 2. Segmental Analysis (continued)

The following is an analysis of the carrying amount of segmental non-current assets by the geographical area in which the assets are located:

	2020	2019
Non-current assets	£m	£m
UK	<b>1,296.2</b>	391.6
Europe	<b>979.2</b>	323.3
US	<b>497.4</b>	258.2
Rest of world	<b>111.5</b>	40.2
	<b>2,884.3</b>	1,013.3

## 3. Profit Before Tax

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
<b>Profit before tax is stated after charging:</b>		
Auditor's remuneration:		
Audit of these financial statements (KPMG LLP)	<b>0.2</b>	0.2
Amounts receivable by the Company's auditor (KPMG LLP) and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	<b>1.5</b>	1.5
Audit related assurance services		
Interim review	<b>0.1</b>	0.1
Reporting accountant work	<b>-</b>	0.2
Depreciation and amortisation of non-current assets:		
Depreciation of property, plant and equipment	<b>409.2</b>	92.8
Amortisation of intangible assets	<b>40.8</b>	21.0
Amortisation of non-current other assets	<b>-</b>	1.2
Impairments of non-current assets:		
Property, plant and equipment	<b>12.2</b>	10.5
Goodwill & fascia names	<b>43.1</b>	8.1
Other intangibles assets	<b>0.7</b>	0.8
Other non-current assets	<b>-</b>	0.6
Loss on disposal of non-current assets	<b>6.3</b>	2.0
Rentals payable under non-cancellable operating leases for:		
Land and buildings - non-contingent rentals payable	<b>351.3</b>	286.2
Land and buildings - contingent rentals payable	<b>36.2</b>	36.2
Other - plant and equipment	<b>5.3</b>	4.8
<b>Profit before tax is stated after crediting:</b>		
Rents receivable and other income from property	<b>-</b>	0.9
Sundry income	<b>-</b>	3.8
Reverse premia	<b>2.2</b>	2.2
Movement in the fair value of forward contracts	<b>1.7</b>	33.9
Foreign exchange gain recognised	<b>2.1</b>	13.9

### 3. Profit Before Tax (continued)

In addition, fees of £0.1 million (2019: £0.1 million) were incurred and paid by Pentland Group Limited in relation to the non-coterminous audit of the Group for the purpose of inclusion in their consolidated financial statements.

Non-current other assets comprise key money, store deposits, legal fees and lease

premia associated with the acquisition of leasehold interests (see Note 15).

The contingent rents shown on the previous page relate to turnover rents which are impacted by changes in sales at certain stores where the lease includes an element of turnover rent.

### 4. Exceptional Items

Items that are, in aggregate, material in size and / or in nature, are included within operating profit and disclosed separately as exceptional items in the Consolidated Income Statement. Exceptional items are disclosed separately as they are not considered reflective of the year on year trading performance of the Group.

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 may be included as exceptional items are:

- Profit / (loss) on the disposal of non-current assets
- Impairment of right of use assets
- Impairment of property, plant and equipment

- Impairment of non-current other assets
- Impairment of goodwill, brand names and fascia names
- Impairment of investment property
- Profit / (loss) on disposal of subsidiary undertakings
- Negative goodwill
- Business restructuring and business closure related costs
- (Gains) / losses arising on changes in ownership interest where control has been obtained
- Fair value adjustments to put option liabilities

		52 weeks to 1 February 2020	52 weeks to 2 February 2019
	Note	£m	£m
Impairment of goodwill and fascia names <sup>1</sup>	12	43.1	8.1
Movement in fair value of put and call options <sup>2</sup>	21	31.4	5.6
Integration and consolidation of the outdoor systems and warehousing <sup>3</sup>		7.2	1.6
Integration of Sport Zone into Sprinter infrastructure <sup>4</sup>		8.6	-
Administrative expenses – exceptional		90.3	15.3

(1) The impairment in the current period relates to the impairment of the goodwill arising in prior years on the acquisition of Go Outdoors Topco Limited and Choice Limited.

(2) Movements in the fair value of the liabilities in respect of the put and call options (see note 21).

(3) Costs arising from the integration and consolidation of the principal IT systems, warehousing and other infrastructure in Go Outdoors Limited.

(4) Costs associated with transferring the stocks and other operations of Sport Zone into the Sprinter infrastructure.

Items (1) and (2) are exceptional items as they are not considered to be reflective of the underlying trading performance of the Group. Item (3) and (4) are presented as an exceptional item as these costs relate to one off projects.

### 5. Remuneration of Directors

The remuneration of the Executive Directors includes provision for future LTIP payments of £223,000 (2019: £70,000). Further information on Directors' emoluments is shown in the Directors' Remuneration Report on pages 132 to 159.

In the opinion of the Board, the key management as defined under revised IAS 24 'Related Party Disclosures' are the seven Executive and Non-Executive Directors (2019: six). During the year there was one (2019: one) director within the defined contribution pension scheme. Full disclosure of the Directors' remuneration is given in the Directors' Remuneration Report on page 149.

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
<b>Directors' emoluments:</b>		
As Non-Executive Directors	0.2	0.2
As Executive Directors	6.4	3.0
Pension contributions	-	-
Compensation for loss of office	-	0.8
	6.6	4.0

### 6. Staff Numbers and Costs

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

	2020	2019
<b>GROUP</b>		
Sales and distribution	51,475	46,905
Administration	2,002	1,947
	53,477	48,852
Full time equivalents – continuing operations	34,885	32,265

The aggregate payroll costs of these persons were as follows:

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
<b>GROUP</b>		
Wages and salaries	759.4	609.8
Social security costs	87.0	68.6
Pension costs	13.1	11.8
Other employed staff costs	14.3	7.6
	873.8	697.8

## 7. Financial Income

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

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
Bank interest	1.7	1.2

## 8. 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.

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
On bank loans and overdrafts	6.6	6.7
Amortisation of facility fees	1.0	0.6
Lease interest	71.9	-
Other interest	0.3	0.2
Financial expenses	79.8	7.5

## 9. Income Tax Expense

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

### CURRENT INCOME TAX

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

### DEFERRED TAX

Deferred tax is recognised in respect of 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 reporting 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.

## 9. Income Tax Expense (continued)

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
<b>Current tax</b>		
UK corporation tax at 19.0% (2019: 19.0%)	106.7	75.6
Adjustment relating to prior periods	(2.6)	(0.7)
Total current tax charge	104.1	74.9
<b>Deferred tax</b>		
Deferred tax (origination and reversal of temporary differences)	(4.7)	(0.2)
Adjustment relating to prior periods	(1.6)	1.0
Total deferred tax credit	(6.3)	0.8
Income tax expense	97.8	75.7

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
Profit before tax multiplied by the standard rate of corporation tax 19.0% (2019: 19.0%)	66.2	64.6
Effects of:		
Expenses not deductible	12.8	2.7
Depreciation and impairment of non-qualifying non-current assets	10.9	3.0
Non taxable income	(1.1)	(3.0)
Loss on disposal of non-qualifying non-current assets	-	0.1
Effect of tax rates in foreign jurisdictions	6.3	4.0
Research and development tax credits and other allowances	(0.3)	(0.6)
Recognition of previously unrecognised tax losses	(0.2)	(0.3)
Reduction in tax rate	(1.2)	0.1
Change in unrecognised temporary differences	4.3	3.2
Under provided in prior periods	(4.2)	0.3
Other taxes due	4.3	1.6
Income tax expense	97.8	75.7

## 10. Earnings Per Ordinary Share

### BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

The calculation of basic and diluted earnings per ordinary share at 1 February 2020 is based on the profit for the period attributable to equity holders of the parent of £246.1 million (2019: £261.8 million) and a weighted average number of ordinary shares outstanding during the 52 week period ended 1 February 2020 of 973,233,160 (2019: 973,233,160).

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	Number	Number
Issued ordinary shares at beginning and end of period	973,233,160	973,233,160

## 10. Earnings Per Ordinary Share (continued)

### ADJUSTED BASIC AND DILUTED EARNINGS PER ORDINARY SHARE

Adjusted basic and diluted earnings per ordinary share have 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 useful measure of the underlying performance of the Group.

		52 weeks to 1 February 2020	52 weeks to 2 February 2019
	Note	£m	£m
Profit for the period attributable to equity holders of the parent		246.1	261.8
Exceptional items excluding loss on disposal of non-current assets	4	90.3	15.3
Tax relating to exceptional items		(3.0)	(0.3)
Profit for the period attributable to equity holders of the parent excluding exceptional items		333.4	276.8
Adjusted basic and diluted earnings per ordinary share		34.26p	28.44p
Unadjusted basic and diluted earnings per ordinary share		25.29p	26.90p

## 11. Acquisitions

### BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect the returns through its power over the entity.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the Consolidated Income Statement.

Any contingent consideration is measured at fair value at the date of acquisition. If an

obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the Consolidated Income Statement.

The valuation techniques used for measuring the fair value of material assets acquired are as follows:

- Assembled workforce – In accordance with IAS 38, the assembled workforce should not be recognised as a separate intangible asset but is subsumed within goodwill. The assembled workforce was valued using the cost savings method which estimates the costs saved by the acquirer from purchasing the asset versus building or developing the asset internally.
- Intangible assets (computer software) – The cost approach was used which reflects the amount that would be required to currently replace the service capacity of an asset (often referred to as current replacement cost).

## 11. Acquisitions (continued)

- Intangible assets (fascia names and brand names) – The relief from royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the intangible assets being owned.
- Inventories – The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to sell the inventories.
- Leases – a right of use asset and lease liability are recognised, measured as if the acquired lease were a new lease at the date of acquisition. The fair value of the acquired leases are estimated by comparing the annual rent to a normalised rent level based on a market oriented occupancy rate. The difference is calculated over the remaining lease term and discounted at the estimated pre-tax discount rate, adjusting the value of the right of use asset recognised under IFRS16 Leases. The lease liability recognised is measured at the present value of the remaining lease payments, using a discount rate determined in accordance with IFRS 16 at the date of acquisition.
- Owned property – The cost approach considers the cost to replace the existing improvements, less accrued depreciation, plus the fair value of the land. The value of the properties is derived by adding the estimated value of the land to the cost of constructing a reproduction or replacement for the improvements and then subtracting the amount of depreciation.
- Property, plant and equipment – The depreciated replacement cost new valuation approach is utilised reflecting adjustments for physical deterioration as well as functional and economic obsolescence.

### CURRENT PERIOD ACQUISITIONS Footasylum Plc ('Footasylum')

On 18 February 2019, JD Sports Fashion Plc acquired 19,579,964 Footasylum Plc shares at prices between 50 pence and 75 pence per share, representing 18.7% of the issued ordinary share capital.

On 18 March 2019, in conjunction with the board of Footasylum Plc, JD Sports Fashion Plc announced the terms of an offer to be made for the remaining 81.3% of the ordinary share capital of Footasylum at a price of 82.5 pence per ordinary share. This offer was declared unconditional in all respects on 12 April 2019 with acceptances received for a total of 78,176,481 shares representing a further 74.8% of the issued ordinary share capital. On 26 April 2019, the first bulk transfer was made to acquire an additional 80.5m shares (in addition to the 19.5m already owned). The formal process to acquire the remaining Footasylum shares (incl. the dissenting shareholders) was completed on 4 June 2019. Footasylum was delisted on 16 May 2019 and converted from an unlisted Plc to a private company on 19 September 2019.

Footasylum is a UK-based fashion retailer founded in 2005 focusing on the footwear and apparel market. The company operates a multi-channel model which combines a store estate of 69 stores in a variety of high street, mall and retail park locations in cities and towns throughout Great Britain, with a strong online platform and a recently launched wholesale arm for distributing its own brand ranges via a network of partners.

Included within the provisional fair value of the net identifiable assets on acquisition is an intangible asset of £34.3 million representing the Footasylum fascia name and an intangible asset of £3.0 million for Footasylum exclusive brands. The Board believes the excess of cash consideration paid over the net identifiable assets on acquisition of £27.3 million is best considered as goodwill representing future operating synergies.

## 11. Acquisitions (continued)

Given that this transaction was reviewed by the Competition and Markets Authority ('CMA'), the directors of the company have had to assess whether or not the Group had control over Footasylum. In making their judgement, the Board considered the Group's ability to direct the relevant activities of Footasylum during the investigation period. Ultimately, after careful consideration, the Board concluded that the Group had control and, accordingly, Footasylum should be consolidated from the date of acquisition. The CMA subsequently announced in its Final Report on 6th May 2020 that they were prohibiting the merger and that, consequently, they required the

Group to fully divest its investment. The Group are currently in negotiations with the CMA as to how the disposal process will be conducted and monitored and have also made a claim for Judicial Review to the Competition Appeal Tribunal. Consequently, at the date of this announcement, the exact nature and timing of the disposal process is unknown and the Group may not recover the carrying value as part of this disposal.

Included in the 52 week period ended 1 February 2020 is revenue of £215.9 million and a profit before tax of £1.7 million in respect of Footasylum.

	Book value	Measurement adjustments	Provisional fair value as at 1 February 2020
	£m	£m	£m
Acquiree's net assets at acquisition date:			
Intangible Assets	-	37.3	<b>37.3</b>
Property, plant and equipment	29.1	(3.5)	<b>25.6</b>
Right of use assets	100.4	-	<b>100.4</b>
Inventories	39.6	-	<b>39.6</b>
Cash	5.7	-	<b>5.7</b>
Trade and other receivables	19.4	-	<b>19.4</b>
Deferred tax liabilities	0.2	(6.3)	<b>(6.1)</b>
Trade and other payables - current	(42.0)	-	<b>(42.0)</b>
Trade and other payables - non current	(0.2)	-	<b>(0.2)</b>
Lease liabilities	(107.5)	-	<b>(107.5)</b>
Interest bearing loans and borrowings	(13.5)	-	<b>(13.5)</b>
<b>Net identifiable assets</b>	<b>31.2</b>	<b>27.5</b>	<b>58.7</b>
Goodwill on acquisition			<b>27.3</b>
<b>Total consideration - satisfied in cash</b>			<b>86.0</b>

### Rascal Clothing Limited

On 5 February 2019, the Group acquired 50% of the issued share capital of Rascal Clothing Limited ('Rascal') for cash consideration of £2.5 million with additional consideration of up to £1.0 million payable if certain performance criteria were achieved. Rascal is a wholesaler and online retailer of sports inspired leisurewear. At acquisition, management believed that Rascal was on course to meet the performance criteria for the maximum contingent consideration to be payable and therefore the fair value of the contingent

consideration at this time was £1.0 million.

The Group has the ability to direct the relevant activities of Rascal Clothing and there are restrictions on the existing shareholders via a shareholder agreement. Accordingly, the Board have concluded that the Group has control and that Rascal Clothing should be consolidated from the date of acquisition.

The Board believes that the excess of consideration paid over the net assets on acquisition of £2.2 million is best considered as goodwill on acquisition representing future operating synergies.

## 11. Acquisitions (continued)

Included in the 52 week period ended 1 February 2020 is revenue of £4.4 million and a profit before tax of £0.6 million in respect of Rascal Clothing Limited.

February 2020 is revenue of £5.6 million and a profit before tax of £0.2 million in respect of Giulio Fashion Limited.

### OTHER ACQUISITIONS

During the period, the Group made several small acquisitions, these transactions were not material.

### FULL YEAR IMPACT OF ACQUISITIONS

Had the acquisitions of the entities listed above been effected at 3 February 2019, the revenue and profit before tax of the Group for the 52 week period to 1 February 2020 would have been £6.2 billion and £349.2 million respectively.

### ACQUISITION COSTS

Acquisition related costs amounting to £7.4 million (Footasylum Plc, £7.3 million, other acquisitions £0.1 million) have been excluded from the consideration transferred and have been recognised as an expense in the year, within administrative expenses in the Consolidated Income Statement.

### PRIOR PERIOD ACQUISITIONS

#### The Finish Line, Inc.

On 18 June 2018, the Group acquired 100% of the issued share capital of The Finish Line, Inc. ('Finish Line') for cash consideration of \$558 million (£400.5 million).

Finish Line is one of the largest retailers of premium multibranded athletic footwear, apparel and accessories in the United States ('US'), the largest sportswear market in the world. At acquisition, Finish Line traded from 556 Finish Line branded retail stores across 44 US states and Puerto Rico in addition to a well-established multichannel offering. Finish Line is also the exclusive retailer of athletic shoes, both in-store and online for Macy's, one of the US' premier retailers, operating 375 branded and more than 150 small unbranded concessions within Macy's stores at acquisition.

Included within the fair value of the net identifiable assets on acquisition is an intangible asset of £70.6 million,

### PG2019 Limited ('Pretty Green')

On 4 April 2019, the Group acquired, via its 100% subsidiary PG2019 Limited, the trading assets and trade of Pretty Green Limited (in administration), the boutique men's clothing brand, from its administrator. The acquisition included the business, brand, website and wholesale business as well as a flagship store in Manchester. Cash consideration of £1.5 million was paid on completion with the Group also assuming a further £1.8 million of debt.

Included within the provisional fair value of the net identifiable assets on acquisition is an intangible asset of £1.0 million representing the Pretty Green fascia name and an intangible asset of £0.7 million representing the Pretty Green brand name. The Board believes the excess of cash consideration paid over the net identifiable assets on acquisition of £2.7 million is best considered as goodwill representing future operating synergies.

Included in the 52 week period ended 1 February 2020 is revenue of £13.5 million and a profit before tax of £1.7 million in respect of PG2019 Limited.

### Giulio Fashion Limited

On 30 April 2019, the Group acquired 80% of the issued share capital of Giulio Fashion Limited including two wholly owned subsidiaries, Giulio Limited (a trading company) and Giulio Woman Limited (a dormant company) for cash consideration of £3.0m. The acquisition included put and call options over the remaining stores exercisable after 3 years.

The Board believes the excess of cash consideration paid over the net identifiable assets on acquisition of £2.7 million is best considered as goodwill representing future operating synergies.

Included in the 52 week period ended 1

## 11. Acquisitions (continued)

representing the Finish Line fascia name. The Board believed that the excess of consideration paid over the net assets on acquisition of £98.5 million was best

considered as goodwill on acquisition representing future operating synergies. The goodwill calculation is summarised below:

	Book value	Measurement adjustments	Fair value as at 1 February 2020
	£m	£m	£m
Acquiree's net assets at acquisition date:			
Intangible assets	16.9	70.6	<b>87.5</b>
Property, plant and equipment	76.5	4.9	<b>81.4</b>
Inventories	261.6	(5.8)	<b>255.8</b>
Cash and cash equivalents	50.9	-	<b>50.9</b>
Trade and other receivables	38.6	-	<b>38.6</b>
Income tax liabilities	(1.5)	-	<b>(1.5)</b>
Deferred tax assets / (liabilities)	7.0	(11.5)	<b>(4.5)</b>
Trade and other payables - current	(135.9)	(16.8)	<b>(152.7)</b>
Trade and other payables - non-current	(40.2)	(13.3)	<b>(53.5)</b>
Net identifiable assets	273.9	28.1	<b>302.0</b>
Goodwill on acquisition			<b>98.5</b>
<b>Total consideration - satisfied in cash</b>			<b>400.5</b>

No measurement adjustments have been made to the fair value during the 52 week period ended 1 February 2020 and the period in which measurement adjustments could be made has now closed on this acquisition.

### Choice Limited

On 13 August 2018 the Group acquired, via its subsidiary Tessuti Limited, 100% of the issued share capital of Choice Limited for cash consideration of £4.0 million and 8.8% of the issued share capital of Tessuti Limited with a fair value of £1.3 million. Choice Limited operates as a retailer of premium fashion apparel and footwear with six stores and a trading website at acquisition. Included within the fair value of the net identifiable assets on acquisition is an intangible asset of £1.5 million, representing the Choice fascia name. The Board believed that the excess of consideration paid over the net assets on acquisition of £3.0 million was best considered as goodwill on acquisition representing future operating synergies.

## 12. Intangible Assets

	Goodwill	Brand licences	Brand names	Fascia name	Software development	Total
	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>						
At 3 February 2018	155.3	11.8	24.5	107.5	15.2	314.3
Additions	103.5	-	-	72.1	12.3	187.9
Acquisitions	-	-	-	-	17.3	17.3
Reclassifications	-	-	-	-	3.8	3.8
Disposals	(1.5)	-	(0.5)	-	(1.0)	(3.0)
Exchange differences	4.3	-	0.4	2.0	0.5	7.2
At 2 February 2019	261.6	11.8	24.4	181.6	48.1	527.5
Additions	34.8	-	3.7	35.3	23.2	97.0
Acquisitions	-	-	-	-	0.6	0.6
Reclassifications	-	-	-	-	6.6	6.6
Disposals	-	-	(2.0)	-	(0.4)	(2.4)
Exchange differences	3.4	-	(0.2)	(2.9)	(0.6)	(0.3)
At 1 February 2020	299.8	11.8	25.9	214.0	77.5	629.0
<b>Amortisation and impairment</b>						
At 3 February 2018	40.7	9.7	12.6	28.9	11.4	103.3
Charge for the period	-	0.8	1.5	10.5	8.2	21.0
Impairments	8.1	-	-	-	0.8	8.9
Reclassifications	-	-	-	-	2.5	2.5
Disposals	(1.5)	-	(0.5)	-	(0.9)	(2.9)
Exchange differences	-	-	-	0.4	-	0.4
At 2 February 2019	47.3	10.5	13.6	39.8	22.0	133.2
Charge for the period	-	1.4	1.8	15.4	22.2	40.8
Impairments	43.1	-	-	-	0.7	43.8
Reclassifications	-	-	-	-	0.8	0.8
Disposals	-	-	(2.1)	-	(0.2)	(2.3)
Exchange differences	-	(0.8)	-	(0.2)	-	(1.0)
At 1 February 2020	90.4	11.1	13.3	55.0	45.5	215.3
<b>Net book value</b>						
<b>At 1 February 2020</b>	<b>209.4</b>	<b>0.7</b>	<b>12.6</b>	<b>159.0</b>	<b>32.0</b>	<b>413.7</b>
At 2 February 2019	214.3	1.3	10.8	141.8	26.1	394.3
At 3 February 2018	114.6	2.1	11.9	78.6	3.8	211.0

### ACQUISITIONS

The acquisitions of intangibles assets in the current year principally relate to the acquisition of Footasylum plc, Rascal Clothing Limited, Pretty Green Limited and Giulio Fashion Limited. The acquisitions in the prior year principally relate to the acquisition of Finish Line, Inc. Further details, including the provisional fair value of the assets acquired, are provided in Note 11.

### DISPOSALS

The disposals of intangible assets in the current year are the Duffy trademark in Japan.

### AMORTISATION

Included within the amortisation charge for the period ended 1 February 2020 is accelerated amortisation of £7.0 million (2019: £0.5 million) following a review of the useful economic life of certain items of software development capitalised.

### INTANGIBLES ASSETS WITH DEFINITE LIVES

#### BRAND LICENCES

Brand licences are stated at cost less accumulated amortisation and impairment losses. Amortisation of brand licences is



## 12. Intangible Assets (continued)

charged to the Consolidated Income Statement within cost of sales over the term to the licence expiry on a straight line basis.

At each reporting date, the Group reviews the carrying amounts of its brand licences to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment losses are recognised in the Consolidated Income Statement.

The recoverable amount of brand licences is 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 relevant asset until the licence expiry date and the choice of a suitable discount rate in order to calculate the present value.

### BRAND NAMES

Brand names acquired as part of a business combination are stated at fair value as at the acquisition date less accumulated amortisation and impairment losses. Brand names separately acquired are stated at cost less accumulated amortisation and impairment losses. The useful economic life of each purchased brand name is considered to be finite. In determining the useful economic life of each brand name, the Board considers the market position of the brands acquired, the nature of the market that the brands operate in, typical product life cycles of brands and the useful economic lives of similar assets that are used in comparable ways.

Brand names are amortised over a period of 10 years and the amortisation charge is included within administrative expenses in the Consolidated Income Statement.

At each reporting date, the Group reviews the carrying amounts of its brand names to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of

brand names is determined based on a 'royalty relief' method of valuation. The recoverable amount of brand names is based on an estimation of future sales and the choice of a suitable royalty and discount rate in order to calculate the present value, when this method is deemed the most appropriate. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the asset and the choice of a suitable discount rate in order to calculate the present value. Impairment losses are recognised in the Consolidated Income Statement.

### SOFTWARE DEVELOPMENT

Software development costs (including website development costs) are capitalised as intangible assets if the technical and commercial feasibility of the project has been demonstrated, the future economic benefits are probable, the Group has an intention and ability to complete and use or sell the software and the costs can be measured reliably. Costs that do not meet these criteria are expensed as incurred. Software development costs are stated at historic cost, less accumulated amortisation.

Software development costs are all amortised over a period of two to seven years and the amortisation charge is included within administrative expenses in the Consolidated Income Statement.

### FASCIA NAME

Separately identifiable fascia names acquired are stated at fair value as at the acquisition date less accumulated amortisation and impairment losses. The initial fair value is determined by using a 'royalty relief' method of valuation. This is based on an estimation of future sales and the choice of a suitable royalty and discount rate in order to calculate the present value, when this method is deemed the most appropriate. This method involves calculating a net present value for each fascia name by discounting the projected

## 12. Intangible Assets (continued)

future royalties expected using an indefinite useful economic life for each fascia. The future royalties are estimated by applying a suitable royalty rate to the sales forecast.

Store and online fascia names are considered to have a finite useful economic life. The useful economic life of an online fascia name is lower than that of a store fascia name due to increased competition in the marketplace as a result of reduced barriers to entry. The estimated useful economic lives are as follows:

- Online fascia names                      3 to 5 years
- Store fascia names                        10 to 20 years

The factors that are considered when determining the useful life of each fascia name are:

- The strength of the respective fascia names in the relevant sector and geographic region where the fascia is located
- The history of the fascia names and that of similar assets in the relevant retail sectors
- The commitment of the Group to continue to operate these stores separately for the foreseeable future, including the ongoing investment in new stores and refurbishments

At each reporting date, the Group reviews the carrying amounts of its fascia names to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of these assets is 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. Impairment losses are recognised in the Consolidated Income Statement.

### INTANGIBLE ASSETS WITH INDEFINITE LIVES

#### Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, negative goodwill is recognised immediately in the Consolidated Income Statement.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit / loss on disposal.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units and is tested annually for impairment and whenever there is an indication that the goodwill may be impaired. The cash-generating units used are individual stores and the groups of cash-generating units are either the store portfolios or individual businesses acquired. The recoverable amount is compared to the carrying amount of the cash-generating units including goodwill.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The intangible assets in the table below have been reviewed for indicators of impairment and none were noted. The carrying amount of goodwill and fascia name by cash-generating units, along with the key assumptions used in the value-in-use calculation is as follows:

## 12. Intangible Assets (continued)

Segment	Basic financial information							Impairment model assumptions used				
	Goodwill 2020 £m	Fascia name 2020 £m	Total intangible 2020 £m	Goodwill 2019 £m	Fascia name 2019 £m	Total intangible 2019 £m	Short term growth rate <sup>(1)</sup> %	Long term growth rate <sup>(2)</sup> %	Margin rate	Pre Tax Discount rate <sup>(3)</sup> 2020 %	Pre Tax Discount rate <sup>(3)</sup> 2019 %	
Champion store portfolio	9.6	-	9.6	9.7	-	9.7	2.0%	2.0%	Gross margins are assumed to be broadly consistent with recent historic and approved budget levels	7.0%	7.6%	
Finish Line	94.5	57.2	151.7	98.5	66.4	164.9	2.0%	1.0%	Gross margins are assumed to be broadly consistent with recent historic and approved budget levels	11.8%	-	
First Sport store portfolio	15.0	-	15.0	15.0	-	15.0	1.0%	1.0%	Gross margins are assumed to be broadly consistent with recent historic and approved budget levels	6.7%	7.6%	
Mainline Menswear Limited	7.4	0.3	7.7	7.4	0.5	7.9	1.0%	1.0%	Gross margins are assumed to improve by 1.0% in the short term to reflect implementation of enhanced group terms and focused strategy regarding stock and merchandising	8.5%	9.4%	
Sport Zone	17.2	8.2	25.4	17.5	9.2	26.7	3.0%	2.0%	Gross margins are assumed to improve by 1% in the short term to reflect implementation of a focused strategy regarding stock	10.6%	11.6%	
Sprinter store portfolio	6.8	3.4	10.2	6.9	3.8	10.7	2.0%	2.0%	Gross margins are assumed to be broadly consistent with recent historic and approved budget levels	10.6%	10.6%	
Go Outdoors	1.9	50.2	52.1	44.4	53.2	97.6	2.1%	2.5%	Gross margins are assumed to be broadly consistent with recent historic and approved budget levels	12.9%	13.2%	
Footasylum	27.3	31.7	59.0	-	-	-	2.0%	2.0%	Gross margins are assumed to be broadly consistent with recent historic and approved budget levels	8.9%	-	
Other	29.7	8.0	37.7	14.9	8.7	23.6	1.0%–3.0%	1.0%–3.0%	A range of gross margin assumptions, from broadly consistent with approved budget levels to improvements of up to 2% in the short term to reflect implementation of enhanced group terms and focused strategy regarding stock and merchandising	7.5%–14.3%	7.5%–14.3%	
	209.4	159.0	368.4	214.3	141.8	356.1						

(1) The short term growth rate is the Board approved compound annual growth rate for the four year period following the January 2021 financial year currently underway

(2) The long term growth rate is the rate used thereafter, which is an estimate of the growth based on past experience within the Group taking account of economic growth forecast for the relevant industries

(3) The discount rate applied is pre-tax and reflects the current market assessments of the time value of money and any specific risk premiums relevant to the individual cash-generating unit. These discount rates are considered to be equivalent to the rates a market participant would use

## 12. Intangible Assets (continued)

The cash flow projections used in the value-in-use calculations are all 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.

### SENSITIVITY ANALYSIS

A sensitivity analysis has been performed on the base case assumptions of margin growth used for assessing the goodwill and other intangibles.

The Board has considered the possibility of each business achieving less revenue and gross profit % than forecast. Whilst any reduction in revenue would be partially offset by a reduction in revenue related

costs, the Board would also take actions to mitigate the loss of gross profit by reducing other costs. With regards to the assessment of value-in-use of all cash-generating units, with the exceptions of Go Outdoors, the Board believes that there are no reasonably possible changes in any of the key assumptions, which would cause the carrying value of the unit to exceed its recoverable amount and the amount of head room would cover large negative growth rates.

The table below shows the amount of head room for each cash generating unit, as well as the current assumption used and the revised assumption which would be required to eliminate the headroom.

Company	Headroom £m	Sensitivity 1 Short Term Growth Rate		Sensitivity 2 Long Term Growth Rate		Sensitivity 3 Pre Tax Discount Rate	
		% Used	Revised %	% Used	Revised %	% Used	% Revised
Champion store portfolio	230.7	2.0	-43.5	2.0	more than -1,000.0	7.0	62.7
Finish Line	608.1	2.0	-20.5	1.0	more than -1,000.0	11.8	34.1
First Sport store portfolio	559.3	1.0	-127.0	1.0	more than -1,000.0	6.7	147.2
Mainline Menswear	52.7	1.0	-49.0	1.0	more than -1,000.0	8.5	47.7
Sport Zone	674.2	3.0	-20.6	2.0	more than -1,000.0	10.6	39.6
Sprinter store portfolio	262.1	2.0	-24.4	2.0	more than -1,000.0	10.6	38.3
Go Outdoors	-	2.1	N/A	2.5	N/A	12.9	N/A
Footasylum	37.2	2.0	-6.9	2.0	-3.23	8.9	11.2

## 12. Intangible Assets (continued)

For the Go Outdoors cash-generating unit, there is no head room following the £42.5 million impairment during the period, therefore any change in key assumptions will result in further impairments. A partial impairment of £20.7 million (2019: £nil) was recognised in the first half of the year at which point the Group believed that the disruption consequent to the integration issues associated with the transition of fulfilment to the new warehouse were resolved. After further disruption in the business from the closure of the principal office in Sheffield, an additional charge of £21.8 million (2019: £nil) was recognised in the second half. At the Balance Sheet date the short term issues were resolved but took longer than anticipated, and as such recovery has gone into the next financial year. Although there are some encouraging signs, we did not forecast growth to the same levels as previous. See Note 31 for a post Balance Sheet update in relation to Go Outdoors.

Significant changes in key assumptions could cause the carrying value of the unit to exceed its recoverable amount. The following sensitivities were performed:

- Reducing the assumed short term store and online sales growth by 1%, assuming the business would be unable to reduce selling and distribution and administrative costs, would lead to an impairment of £33.5 million. All other assumptions remain unchanged.

- Reducing the long term growth rate by 1% would lead to an impairment of £9.4 million. All other assumptions remain unchanged.
- Increasing the pre-tax discount rate by 1% would lead to an impairment of £13.5 million. All other assumptions remain unchanged.
- Reducing the margin rate by 1% would lead to an impairment of £24.7 million. All other assumptions remain unchanged.

## 13. Property, Plant and Equipment

	Freehold land, long leasehold & freehold properties	Improvements to short leasehold properties	Assets under construction	Fixtures and fittings	Computer equipment	Motor vehicles	Right of use assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>								
At 3 February 2018	36.5	57.1	19.0	459.7	61.0	0.3	-	633.6
Additions	1.0	28.8	6.5	124.0	13.2	0.1	-	173.6
Disposals	-	(1.9)	(0.1)	(22.9)	(2.6)	(0.1)	-	(27.6)
Reclassifications	-	(14.5)	(24.1)	16.3	(2.9)	-	-	(25.2)
Acquisitions	15.9	37.7	-	19.4	9.8	0.8	-	83.6
Exchange differences	1.4	0.8	1.8	24.6	0.9	-	-	29.5
At 2 February 2019	54.8	108.0	3.1	621.1	79.4	1.1	-	867.5
Recognised on adoption of IFRS16	-	-	-	-	-	-	1,895.1	1,895.1
Additions	0.6	23.0	20.6	89.4	13.0	0.6	418.1	565.3
Disposals	-	(3.9)	-	(18.3)	(1.8)	(0.2)	(36.4)	(60.6)
Reclassifications	(0.2)	(5.6)	(14.3)	9.6	(3.4)	(0.4)	(92.6)	(106.9)
Acquisitions	-	0.3	1.9	18.9	3.0	0.2	-	24.3
Exchange differences	(0.7)	(1.4)	(0.1)	(9.1)	(0.7)	-	(19.0)	(31.0)
At 1 February 2020	54.5	120.4	11.2	711.6	89.5	1.3	2,165.2	3,153.7
<b>Depreciation and impairment</b>								
At 3 February 2018	1.3	19.7	-	189.2	46.4	0.1	-	256.7
Charge for the period	1.4	15.6	-	64.0	11.5	0.3	-	92.8
Disposals	-	(1.2)	-	(20.1)	(2.4)	(0.1)	-	(23.8)
Reclassifications	-	(9.3)	-	(6.1)	(3.1)	-	-	(18.5)
Impairments	-	5.5	-	5.0	-	-	-	10.5
Exchange differences	-	0.2	-	9.2	0.6	-	-	10.0
At 2 February 2019	2.7	30.5	-	241.2	53.0	0.3	-	327.7
Charge for the period	1.9	16.4	-	75.8	11.2	0.6	303.3	409.2
Disposals	-	(2.0)	-	(11.4)	(1.4)	(0.1)	-	(14.9)
Reclassifications	-	(2.2)	-	3.7	(0.2)	-	-	1.3
Impairments	-	0.3	-	4.0	0.1	-	7.8	12.2
Exchange differences	-	(0.2)	-	(1.4)	(0.3)	-	-	(1.9)
At 1 February 2020	4.6	42.8	-	311.9	62.4	0.8	311.1	733.6
<b>Net book value</b>								
<b>At 1 February 2020</b>	<b>49.9</b>	<b>77.6</b>	<b>11.2</b>	<b>399.7</b>	<b>27.1</b>	<b>0.5</b>	<b>1,854.1</b>	<b>2,420.1</b>
At 2 February 2019	52.1	77.5	3.1	379.9	26.4	0.8	-	539.8
At 3 February 2018	35.2	37.4	19.0	270.5	14.6	0.2	-	376.9

## 13. Property, Plant and Equipment (continued)

**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.

Legal fees and other costs associated with the acquisition of a leasehold interest are capitalised within non-current other assets (see note 15). These costs are amortised over the life of the lease.

Rental income from operating leases where the Group is the lessor is recognised on a straight-line basis over the term of the relevant lease.

**DEPRECIATION**

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

Freehold land	not depreciated
Warehouse	15–25 years on a straight line basis
Long leasehold and freehold properties	2% per annum on a straight line basis
Improvements to short leasehold properties	life of lease on a straight line basis
Computer equipment	3–4 years on a straight line basis
Fixtures and fittings	5–7 years, or length of lease if shorter, on a straight line basis
Motor vehicles	25% per annum on a reducing balance basis

**IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND NON-CURRENT OTHER ASSETS**

Property, plant and equipment and non-current other assets 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. A cash-generating unit is an individual store. The recoverable amount is the greater of the fair value less costs to sell and value-in-use. Impairment losses recognised in prior periods are assessed at each reporting period date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would be held (net of depreciation) if no impairment had been realised.

**LEASED ASSETS**

Policy applicable before 3 February 2019

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 instalments 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 instalments so as to give a constant charge on the outstanding obligation.

### 13. Property, Plant and Equipment (continued)

All other leases are accounted for as operating leases and the rental costs, are charged to the Consolidated Income Statement on a straight line basis over the life of the lease. Contingent rentals payable based on store revenues are accrued in line with the related sales and are charged as expenses in the period to which they relate. The value of any lease incentives is recognised as deferred income and credited to the Consolidated Income Statement against rentals payable on a straight line basis over the life of the lease.

Policy applicable from 3 February 2019

Assets funded through finance leases and similar hire purchase contracts and those previously classified as operating leases are now recognised in the consolidated statement of financial position under IFRS16 Leases as a right of use asset. Note 14 describes the recognition and subsequent measurement of leased assets under IFRS16.

Impairment charges of £12.2 million (2019: £10.5 million) 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 cannot be recovered as a result of a continuing deterioration in the performance in the particular store. The cash-generating units represent individual stores with the loss based on the specific revenue streams and costs attributable to those cash-generating units. Assets in impaired stores are written down to their recoverable amount which is calculated as the greater of the fair value less costs to sell and value-in-use.

Included within the depreciation charge for the period ended 1 February 2020 is accelerated depreciation of £0.3 million (2019: £5.2 million) following a review of the useful economic life of certain items of property, plant and equipment and assets capitalised.

### 14. Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in note 1.

#### A. SIGNIFICANT ACCOUNTING POLICY Policy applicable from 3 February 2019

The Group assesses whether a contract is or contains a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either:

### 14. Leases (continued)

- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 3 February 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### Policy applicable before 3 February 2019

For contracts entered into before 3 February 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit or output nor equal to the current market price per unit of output.

#### I. AS A LESSEE

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. A right-of-use asset's useful economic life is determined on the same basis as for land and buildings recognised in property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the rate implicit in the lease. If the rate implicit in the lease is not readily available then payments are discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a

## 14. Leases (continued)

change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has also applied judgement to determine the lease term for some lease contracts in which it is a lessee that either have no specified end date, or where the Group continues to occupy the property despite the contractual lease end date having passed. In determining the lease term, the Group takes into consideration its commercial strategy on a store by store basis and the future intentions of the Group regarding the duration of continuing occupation of the property.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The Group presents lease liabilities separately within the statement of financial position.

### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group

recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### UNDER IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

### II. AS A LESSOR

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-

## 14. Leases (continued)

lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

### B. AS A LESSEE

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amount of the right-of-use asset is as below

	2020
	Note
	£m
Property, plant and equipment	566.0
Right-of-use assets, except for investment property	13 1,854.1
	<b>2,420.1</b>

	Property	Vehicles	Total
	£m	£m	£m
<b>Cost</b>			
Recognised on adoption of IFRS16	1,891.3	3.8	1,895.1
Additions	416.5	1.6	418.1
Disposals	(36.4)	-	(36.4)
Remeasurement adjustments	(93.5)	0.9	(92.6)
Foreign exchange retranslation	(19.0)	-	(19.0)
At 1 February 2020	2,158.9	6.3	2,165.2
<b>Depreciation and impairment</b>			
Depreciation charge for the period	301.4	1.9	303.3
Impairment of Right of Use assets	7.8	-	7.8
At 1 February 2020	309.2	1.9	311.1
<b>At 1 February 2020</b>	<b>1,849.7</b>	<b>4.4</b>	<b>1,854.1</b>

## 14. Leases (continued)

The Group presents lease liabilities separately within the statement of financial position. The carrying amount of the lease liability as at 1 February 2020 is below.

	2020
	£m
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Within one year	333.2
Later than one year and not later than five years	1,076.7
After five years	835.1
<b>Total undiscounted lease liabilities at 1 February 2020</b>	<b>2,245.0</b>

	2020
	£m
<b>Lease liabilities included in the statement of financial position at 1 February 2020</b>	<b>1,992.7</b>
Current	285.0
Non-Current	1,707.7

Amounts recognised in profit or loss.

	52 weeks to 1 February 2020
	£m
Interest on lease liabilities	71.9
Variable lease payments not included in the measurement of lease liabilities	36.2
Income from subleasing right-of-use assets	0.8
Expenses relating to short terms leases and low value leases	22.7

Amounts recognised in statement of cash flows.

	52 weeks to 1 February 2020
	£m
Total cash outflow for leases	264.8

### B. AS A LESSEE (CONTINUED)

#### I. PROPERTY LEASES

The Group leases buildings for its office space, retail stores and warehouses. These leases typically run for a period of 10 years. Some leases include an option to renew the lease for an additional number of years after the end of the non-cancellable period. Some require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor.

Some properties leased by the Group provide for additional rent payments that are based on changes in local price indices

or sales that the Group makes at the leased store in the period. In respect of contracts linked to store sales, initial recognition of the lease liability is measured at the present value of the minimum lease payments specified in the contract excluding the element linked to sales since the variable element of these payments is not based on an index or rate. Where the variable element of the payments is based on an index or rate, initial and subsequent measurement of the lease liability includes these index linked payments.

The Group sub-leases some of its properties under operating leases.

## 14. Leases (continued)

### II. OTHER LEASES

The Group leases vehicles and equipment (Inc. IT equipment) with lease terms of three to five years. Leases of equipment are of low-value items, therefore the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

### C. AS A LESSOR

Lease income from lease contracts in which the Group acts as a lessor is as below.

	52 weeks to 1 February 2020
	£m
<b>Operating Lease</b>	
Lease Income	0.8

The Group leases out residential and office properties. The Group has classified these leases as operating leases, because they do not transfer substantially all the risk and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020	2019
	£m	£m
Within one year	0.2	1.1
Later than one year and not later than five years	0.3	1.2
	0.5	2.3

## 15. Non-current Other Assets

### KEY MONEY

Monies paid in certain countries to give access to retail locations are capitalised within non-current assets. Key money is stated at historic cost less impairment losses. These assets are not depreciated as past experience has shown that the key money is recoverable on disposal of a retail location and is deemed to have an indefinite useful economic life but will be impaired if evidence exists that the market value is less than the historic cost. Gains / losses on key money from the subsequent disposal of these retail locations are recognised in the Consolidated Income Statement.

### DEPOSITS

Money paid in certain countries as deposits to store landlords as protection against non-payment of rent, is capitalised within non-current assets. Deposits are assessed

for recoverability on leased stores on a practical basis and a provision for the impairment of these deposits is established when there is objective evidence that the landlord will not repay the deposit in full.

### LEGAL FEES

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

### LEASE PREMIA

Money paid in certain countries specifically to landlords or tenants as an incentive to exit an existing lease commonly referred to as compensation for early termination, to enable acquisition of that lease. These payments are capitalised within other non-current assets and amortised over the life of the lease.

## 15. Non-current Other Assets (continued)

	Key Money	Deposits	Legal Fees	Lease Premia	Total
Total assets and liabilities	£m	£m	£m	£m	£m
<b>Cost</b>					
At 3 February 2018	21.1	30.6	17.9	11.3	<b>80.9</b>
Additions	0.8	3.6	0.2	0.5	<b>5.1</b>
Disposals	(0.2)	(0.7)	(0.1)	-	<b>(1.0)</b>
Reclassifications	(0.1)	-	7.3	0.5	<b>7.7</b>
Exchange Differences	2.5	1.8	0.2	0.7	<b>5.2</b>
At 2 February 2019	24.1	35.3	25.5	13.0	<b>97.9</b>
IFRS16 reclassification	-	-	(25.5)	(13.0)	<b>(38.5)</b>
Additions	0.1	6.7	-	-	<b>6.8</b>
Disposals	(0.9)	(2.9)	-	-	<b>(3.8)</b>
Exchange Differences	(0.3)	(12.6)	-	-	<b>(12.9)</b>
At 1 February 2020	23.0	26.5	-	-	<b>49.5</b>
<b>Depreciation and impairment</b>					
At 3 February 2018	1.0	0.1	10.1	3.2	<b>14.4</b>
Charge for period	-	-	0.4	0.8	<b>1.2</b>
Disposals	-	-	(0.1)	-	<b>(0.1)</b>
Reclassifications	-	-	1.8	0.5	<b>2.3</b>
Impairments	0.4	-	-	0.2	<b>0.6</b>
Exchange differences	0.1	-	0.1	0.2	<b>0.4</b>
At 2 February 2019	1.5	0.1	12.3	4.9	<b>18.8</b>
IFRS16 reclassification	-	-	(12.3)	(4.9)	<b>(17.2)</b>
At 1 February 2020	1.5	0.1	-	-	<b>1.6</b>
<b>Net book value</b>					
<b>At 1 February 2020</b>	<b>21.5</b>	<b>26.4</b>	<b>-</b>	<b>-</b>	<b>47.9</b>
At 2 February 2019	22.6	35.2	13.2	8.1	<b>79.1</b>
At 3 February 2018	20.1	30.5	7.8	8.1	<b>66.5</b>

## 16. 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.

	2020	2019
	£m	£m
Finished goods and goods for resale	<b>811.8</b>	763.8

The cost of inventories recognised as expenses and included in cost of sales for the 52 weeks ended 1 February 2020 was £3,236.0 million (2019: £2,474.5 million).

The Group has £74.9 million (2019: £73.9 million) of stock provisions at the end of the period.

Cost of inventories includes a net charge of £21.1 million (2019: £12.9 million) in relation to net provisions recognised against inventories.

## 17. Trade and Other Receivables

**CREDIT RISK**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The trade receivables balances are typically held by the wholesale businesses within the Group. Each subsidiary establishes a credit policy under which each new customer is analysed individually for creditworthiness before the payment and delivery terms and conditions are offered. The Group review includes financial statements, credit agency information and industry information. Each subsidiary limits its credit exposure by setting payment periods and, in certain circumstances, these are approved by JD Plc Group management.

Customers are monitored by taking into account their credit characteristics; whether they are a wholesale or retail customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

**EXPECTED CREDIT LOSS ASSESSMENT**

Each subsidiary within the Group allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and available press information about customers) and by applying experienced credit judgement.

An allowance matrix is used to measure the expected credit losses (ECL's) of trade receivables from smaller customers, which comprise a very large number of small balances. Loss rates are based on actual credit loss experience over the past 5 years, factoring in other information such as current conditions, age of the customer relationship and the view of the economic conditions over the expected lives of the receivables.

The Group recognises loss allowances for ECL's on financial assets measured at amortised cost and measures the loss allowances at an amount equal to the lifetime ECL's for trade receivables.

	2020	2019
	£m	£m
<b>Current assets</b>		
Trade receivables	<b>42.6</b>	36.8
Other receivables	<b>39.0</b>	45.5
Prepayments and accrued income	<b>102.3</b>	94.9
	<b>183.9</b>	177.2

A summary of the Group's exposure to credit risk for trade receivables is as follows:

	2020			2019		
	Gross	Provision	Net	Gross	Provision	Net
	£m	£m	£m	£m	£m	£m
Not past due	<b>28.1</b>	<b>(0.7)</b>	<b>27.4</b>	23.7	(0.3)	23.4
Past due 0 - 30 days	<b>7.1</b>	-	<b>7.1</b>	7.2	(0.1)	7.1
Past due 30 - 60 days	<b>5.1</b>	<b>(0.2)</b>	<b>4.9</b>	2.3	(0.1)	2.2
Past 60 days	<b>3.6</b>	<b>(0.4)</b>	<b>3.2</b>	4.9	(0.8)	4.1
	<b>43.9</b>	<b>(1.3)</b>	<b>42.6</b>	38.1	(1.3)	36.8

At 1 February 2020, the exposure to credit risk for trade receivables by geographic region was as follows:



## 17. Trade and Other Receivables (continued)

	As at 2 February 2020 Total	As at 2 February 2019 Total
	£m	£m
UK	13.4	12.8
Europe	21.0	13.5
USA	5.2	4.7
Rest of world	4.3	7.1
<b>Total</b>	<b>43.9</b>	<b>38.1</b>

At 1 February 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	As at 1 February 2020 Total	As at 2 February 2019 Total
	£m	£m
Wholesale customers	25.3	7.6
Retail customers	9.6	20.1
End user customers	5.5	4.2
Other	3.5	6.2
<b>Total</b>	<b>43.9</b>	<b>38.1</b>

At 1 February 2020, the carrying amount of the Group's most significant customer was £3.0 million (2019: £3.8 million).

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 1 February 2020:

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	£m	£m	£m	£m
<b>Income statement</b>				
Not past due	2.5%	28.1	(0.7)	-
Past due 0 - 30 days	-	7.1	-	-
Past due 30 - 60 days	3.9%	5.1	(0.2)	-
Past due 61 - 90 days	-	1.3	-	-
More than 90 days past due	17.4%	2.3	(0.4)	-
<b>Total</b>	<b>3.0%</b>	<b>43.9</b>	<b>(1.3)</b>	<b>-</b>

Movement on this provision is shown below:

	£m
At 3 February 2018 (as per IFRS 9)	1.1
Created	0.8
Released	(0.4)
Acquired	(0.2)
At 2 February 2019	1.3
Created	(0.3)
Released	0.4
Acquired	(0.1)
<b>At 1 February 2020</b>	<b>1.3</b>

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

## 18. 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 are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows, as these are used as an integral part of the Group's cash management.

	2020	2019
	£m	£m
Cash at bank and in hand	465.9	251.2

## 19. Interest-bearing Loans and Borrowings

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.

	2020	2019
	£m	£m
<b>Current liabilities</b>		
Finance lease liabilities	-	2.2
Bank loans and overdrafts	20.4	31.6
Syndicated bank facility	-	30.0
	<b>20.4</b>	<b>63.8</b>
<b>Non-current liabilities</b>		
Finance lease liabilities	-	5.9
Bank loans	14.9	56.3
Other loans	0.7	-
	<b>15.6</b>	<b>62.2</b>

The following provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 20.

**BANK FACILITIES**

As at 1 February 2020, the Group has a syndicated committed £700 million bank facility which expires on 6 November 2024. The Group is subject to covenants on Net Worth, Net Debt Leverage and a Fixed Charge Cover.

Under this facility, a maximum of 15 drawdowns can 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 0.9% (2019: 0.9%). The arrangement and underwriting fee payable on the facility is 1.0% and the commitment fee on the undrawn element of the facility is 35% of the applicable margin rate.

This facility encompasses cross guarantees between the Company, Blacks Outdoor Retail Limited, Tessuti Limited, Go Outdoors Limited, The Finish Line, Inc, The Finish Line USA Inc, Genesis Holdings Inc, Genesis Finco Limited, Focus Brands Limited and Focus International Limited.

## 19. Interest-bearing Loans and Borrowings

At 1 February 2020, £nil was drawn down on this facility (2019: £30.0 million).

The Group's second principal bank facility is a syndicated Asset Based Lending Facility in the United States which has a maximum revolving advance amount of \$300 million and expires on 18 June 2023. At 1 February 2020 \$nil was drawn down on this facility (2019: \$50.0 million).

### BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts attract interest rates at 0.7%–8.4%. The overdrafts are repayable on demand and the bank loans are repayable over periods between two and 60 months. The maturity of the bank loans and overdrafts is as follows:

	2020	2019
	£m	£m
Within one year	20.4	31.6
Between one and five years	14.9	56.3
	35.3	87.9

### OTHER LOANS

The acquisition of Pretty Green Limited included loans with balances remaining of £1.8 million at the time of acquisition, £1.1m of the loans were repaid during the period, the remaining loan attracts interest at base plus 3% and are repayable in April 2021. As at 1 February 2020 £0.7m was still outstanding.

The maturity of the other loans is as follows:

	2020	2019
	£m	£m
Between one and five years	0.7	–

### FINANCE LEASES

As at 1 February 2020, the Group's liabilities under finance leases are included in Leases, see Note 14.

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
Income statement	£m	£m	£m	£m
Amounts payable under finance leases:				
Within one year	–	2.2	–	2.2
Later than one year and not later than five years	–	6.0	–	5.9
	–	8.2	–	8.1

## 20. Financial Instruments

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

## 20. Financial Instruments (continued)

### FINANCIAL ASSETS

The Group's financial assets are all categorised as loans and receivables with the exception of derivative assets. 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' and 'Cash and cash equivalents' in the Consolidated Statement of Financial Position.

Cash and cash equivalents comprise short-term cash deposits with major clearing banks earning floating rates of interest based upon bank base rates or rates linked to LIBOR and EURIBOR.

The currency profile of cash and cash equivalents is shown below:

	2020	2019
	£m	£m
Cash and cash equivalents	465.9	251.2
Sterling	120.1	37.1
Euros	188.9	136.0
US Dollars	114.1	44.3
Australian Dollars	15.6	20.9
Danish Krone	5.1	3.3
Other	22.1	9.6
	465.9	251.2

### FINANCIAL LIABILITIES

The Group's financial liabilities are all categorised as other financial liabilities. Other financial liabilities, with the exception of foreign exchange forward contracts and put option liabilities are measured at amortised cost. The Group's other financial liabilities comprise 'Interest-bearing loans and borrowings' and 'Trade and other payables'.

The currency profile of interest-bearing loans and borrowings is shown below:

	2020	2019
	£m	£m
Interest-bearing loans and borrowings	36.0	126.0
Sterling	8.9	39.7
Euros	19.9	30.2
US Dollars	–	37.0
Australian Dollars	–	8.5
Other	7.2	10.6
	36.0	126.0

### 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. There are no concentrations of risk in the period to 1 February 2020.

### INTEREST RATE RISK

The Group finances its operations by a mixture of retained profits and bank borrowings. The Group's borrowings are at floating rates, partially hedged by floating rate interest on deposits, reflecting the seasonality of its cash flow. Interest rate risk therefore arises from bank borrowings. 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

## 20. Financial Instruments

not consider a long term interest rate hedge to be necessary given the inherent short term nature of both the revolving credit facility and working capital facility. This position is reviewed regularly, along with the level of facility required.

The Group has potential bank floating rate financial liabilities on the £700 million committed bank facility, together with overdraft facilities in subsidiary companies (see note 19). At 1 February 2020 £nil was drawn down from the committed bank facility (2019: £30.0 million). When drawdowns are made, the Group is exposed to cash flow interest risk with interest paid at a rate of LIBOR plus a margin of 0.9% (2019: 0.9%).

A change of 1.0% in the average interest rates during the year, applied to the Group's floating interest rate loans and borrowings as at the reporting date, would change profit before tax by £nil (2019: £1.9 million) and would change equity by £nil (2019: £1.9 million). The calculation is based on any floating interest rate loans and borrowings drawn down at the period end date. Calculations are performed on the same basis as the prior year and assume that all other variables remain unchanged.

### FOREIGN CURRENCY RISK

#### 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 reporting 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 reporting date. Income and expenses are translated at the average exchange rate for the accounting period. Foreign currency differences are recognised in Other Comprehensive Income and are presented in the foreign currency translation reserve.

### 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.

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.

Interest rate swaps are recognised at fair value in the Consolidated Statement of Financial Position 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 reporting date, taking into account current interest rates and the respective risk profiles of the swap counterparties.

### HEDGING 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.

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

## 20. Financial Instruments (continued)

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 in each country 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 local currency / US Dollar contracts whereby the minimum exchange rate on the purchase of dollars is guaranteed.

As at 1 February 2020, options have been entered into to protect approximately 93% of the US Dollar trading requirement for the period to January 2021. The balance of the US Dollar requirement for the period will be satisfied at spot rates.

	Profit before tax		Equity	
	2020	2019	2020	2019
	£m	£m	£m	£m
Euros	3.9	2.7	23.4	18.6
US Dollars	0.4	0.6	31.4	30.8
Australian Dollars	0.9	1.7	0.6	2.1
Other	0.4	0.5	2.6	1.6
	5.6	5.5	58.0	53.1

A 10.0% weakening of sterling relative to the following currencies as at the reporting date would have increased profit before tax and equity as follows:

	Profit before tax		Equity	
	2020	2019	2020	2019
	£m	£m	£m	£m
Euros	4.7	3.3	28.7	22.8
US Dollars	0.5	0.8	38.4	37.7
Australian Dollars	1.1	2.1	0.8	2.6
Other	0.5	0.7	3.2	2.0
	6.8	6.9	71.0	65.1

Calculations are performed on the same basis as the prior year and the method assumes that all other variables remain unchanged.

### CREDIT RISK

Credit risk arises from the possibility of customers and counterparties failing to meet their obligations to the Group.

As at 1 February 2020, the fair value of these instruments was an asset of £10.8 million (2019: asset of £9.1 million) and these are all classified as due within one year. A gain of £5.3 million (2019: gain of £33.9 million) has been recognised in cost of sales within the Consolidated Income Statement for the change in fair value of these instruments.

We have considered the credit risk of the Group's and counterparty's credit risk and this is not expected to have a material effect on the valuation of these options.

A 10.0% strengthening of sterling relative to the following currencies as at the reporting date would have reduced profit before tax and equity as follows:

Investments of cash surpluses, borrowings and derivative instruments are made through major 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 a

## 20. Financial Instruments (continued)

provision is made for impairment where amounts are not thought to be recoverable (see note 17). At the reporting date there were no significant concentrations of credit risk and receivables which are not impaired are believed to be recoverable.

The Group considers its maximum exposure to credit risk to be equivalent to total trade and other receivables of £183.9 million (2019: £177.2 million) and cash and cash equivalents of £465.9 million (2019: £251.2 million).

**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. The Board review 13 week and annual cash flow forecasts each month.

Information about the maturity of the Group's financial liabilities is disclosed in note 19.

The commitment fee on these facilities is 0.35% (2019: 0.32%).

**FAIR VALUES**

The fair values together with the carrying amounts shown in the Statement of Financial Position as at 1 February 2020 are as follows:

		Carrying amount 2020	Fair value 2020
	Note	£m	£m
Trade and other receivables	17	81.6	81.6
Cash and cash equivalents	18	465.9	465.9
Interest-bearing loans and borrowings – current	19	(20.4)	(20.4)
Interest-bearing loans and borrowings – non-current	19	(15.6)	(13.0)
Trade and other payables – current		(806.1)	(806.1)
Trade and other payables – non-current		(73.2)	(73.2)
		(367.8)	(365.2)
Unrecognised gains			2.6

The comparatives at 2 February 2019 are as follows:

		Carrying amount 2019	Fair value 2019
	Note	£m	£m
Trade and other receivables	17	82.3	82.3
Cash and cash equivalents	18	251.2	251.2
Interest-bearing loans and borrowings – current	19	(63.8)	(63.8)
Interest-bearing loans and borrowings – non-current	19	(62.2)	(50.6)
Trade and other payables – current		(708.7)	(708.7)
Trade and other payables – non-current		(46.6)	(46.5)
		(547.8)	(536.1)
Unrecognised gains			11.7

## 20. Financial Instruments (continued)

In the opinion of the Board, the fair value of the Group's current financial assets and liabilities as at 1 February 2020 and 2 February 2019 are not considered to be materially different to that of the book value. On this basis, the fair value hierarchy reflects the carrying values. In respect of the Group's non-current financial assets and liabilities as at 1 February 2020 and 2 February 2019, the fair value has been calculated using a pre-tax discount rate of 6.6% (2019: 7.1%) which reflects the current market assessments of the time value of money and the specific risks applicable to the liability.

**ESTIMATION OF FAIR VALUES**

For trade and other receivables / payables, the notional amount is deemed to reflect the fair value.

**FAIR VALUE HIERARCHY**

As at 1 February 2020, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

- Foreign exchange forward contracts – non-hedged
- Put and call option

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique: Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

	Carrying amount	Level 1	Level 2	Level 3
	£m	£m	£m	£m
<b>Loans and receivables</b>				
Deposits	26.4	–	26.4	–
Trade and other receivables	70.8	–	70.8	–
Cash and cash equivalents	465.9	–	465.9	–
<b>Financial assets at fair value through profit or loss</b>				
Foreign exchange forward contracts – non-hedged	10.8	–	10.8	–
<b>Other financial liabilities</b>				
Interest-bearing loans and borrowings – current	(20.4)	–	(20.4)	–
Interest-bearing loans and borrowings – non-current	(15.6)	–	(15.6)	–
Trade and other payables – current	(806.1)	–	(806.1)	–
Put options held by non-controlling interests	(73.2)	–	–	(73.2)

## 20. Financial Instruments (continued)

The comparatives at 2 February 2019 are as follows:

	Carrying amount	Level 1	Level 2	Level 3
	£m	£m	£m	£m
<b>Loans and receivables</b>				
Deposits	35.2	-	35.2	-
Trade and other receivables	73.2	-	73.2	-
Cash and cash equivalents	251.2	-	251.2	-
<b>Financial assets at fair value through profit or loss</b>				
Foreign exchange forward contracts - non-hedged	9.1	-	9.1	-
<b>Other financial liabilities</b>				
Interest-bearing loans and borrowings - current	(63.8)	-	(63.8)	-
Interest-bearing loans and borrowings - non-current	(62.2)	-	(62.2)	-
Trade and other payables - current	(708.7)	-	(708.7)	-
Trade and other payables - non-current	(0.5)	-	(0.5)	-
Put options held by non-controlling interests	(46.1)	-	-	(46.1)

## 21. Trade and Other Payables

### TRADE AND OTHER PAYABLES

Trade and other payables are non-interest-bearing and are stated at their cost. Volume related rebates or other contributions from suppliers are recognised in the Consolidated Financial Statements when it is contractually agreed with the supplier and can be reliably measured. All significant rebates and contributions are agreed with suppliers retrospectively and after the end of the relevant supplier's financial year.

### REVERSE PREMIA

Reverse premia represent monies received by the Group on assignment of property leases and are included within other payables and accrued expenses. Reverse premia are amortised over the life of the remaining lease.

	2020	2019
	£m	£m
<b>Current liabilities</b>		
Trade payables	426.6	366.9
Other payables and accrued expenses	379.5	368.0
Other tax and social security costs	94.6	73.2
	900.7	808.1
<b>Non-current liabilities</b>		
Other payables and accrued expenses	80.5	153.8

## 21. Trade and Other Payables (continued)

### PUT AND CALL OPTIONS

Put options held by non-controlling interests are accounted for using the present access method. The Group recognises put options held by non-controlling interests in its subsidiary undertakings as a liability in the Consolidated Statement of Financial Position at the present value of the estimated exercise price of the put option. The present value of the non-controlling interests' put options are estimated based on expected earnings in Board approved forecasts and the choice of a suitable discount rate or earnings multiple. Upon initial recognition of put options a corresponding entry is made to other equity, and for subsequent changes on remeasurement of the liability the corresponding entry is made to the Income Statement.

Call options held by the Group are also accounted for using the present access method. The Group recognises call options over non-controlling interests in its subsidiary undertakings as a liability in the Consolidated Statement of Financial Position at the present value of the estimated exercise price of the put option. The present value of the non-controlling interests' put options are estimated based on expected earnings in Board approved forecasts and the choice of a suitable discount rate or earnings multiple. Upon initial recognition and for subsequent changes on remeasurement of the liability of call options a corresponding entry is made to the Income Statement.

The Group has a number of options to buy the remaining shares in partly-owned subsidiaries from the non-controlling interest. The present value of these options has been estimated as at 1 February 2020 and is included within non-current other payables and accrued expenses.

The present value of the estimated exercise price is calculated using the option price formula agreed on acquisition. All existing option price formulas are based on a profit measure, which is estimated by applying an approved growth assumption to the current budget profit for the January 2021 financial year, if appropriate for the individual business the put or call option directly relates to. A discount rate is also applied to the option price which is pre-tax and reflects the current market assessments of the time value of money and any specific risk premiums relevant to the individual businesses involved. These discount rates are considered to be equivalent to the rates a market participant would use.

## 21. Trade and Other Payables (continued)

	Put Options				
	Source Lab Limited £m	JD Germany GmbH £m	Tiso Group Limited £m	JD Gyms Limited £m	Iberian Sports Retail Group £m
<b>Put and call options</b>					
At 2 February 2019	0.1	0.9	0.6	1.4	36.1
Acquisitions	-	-	-	-	-
Option settled during the period	-	-	-	-	-
Increase/ (decrease) in the present value of the existing option liability	-	(0.5)	(0.6)	0.1	32.7
<b>At 1 February 2020</b>	<b>0.1</b>	<b>0.4</b>	<b>-</b>	<b>1.5</b>	<b>68.8</b>

Company	Options in existence	Exercise periods
Source Lab Limited	Put and call option, whereby JD Sports Fashion Plc may acquire or be required to acquire (in stages) the remaining 15% of the issued share capital of Source Lab Limited.	Exercisable by either party after the third anniversary of the completion of the initial transaction, during the 30 day period commencing on the date on which the statutory accounts of Source Lab Limited for the relevant financial year have been approved by the board of directors.
JD Germany GmbH	Put option whereby JD Sports Fashion Plc may be required to acquire all or some of the remaining 15% of the issued share capital of JD Germany GmbH, including earn out shares.	The put option is exercisable after a period of five years from the completion date during the 30 days following approval of the shareholders meeting of the audited annual accounts of the Company for the relevant financial year.
Tiso Group Limited	Put and call option whereby JD Sports Fashion Plc may acquire or be required to acquire 40% of the issued share capital of Tiso Group Limited.	The call option is exercisable 90 days beginning 30 days after the consolidated accounts of the Company for the financial period ending 3 February 2018 are signed. The put option is exercisable 60 days following the end of the second call option.

## 21. Trade and Other Payables (continued)

	Call Option						
	Dantra Limited £m	Base £m	Tessuti £m	JD Sports Fashion Holdings Australia Pty £m	Total Put Options £m	Sportiberica £m	Total Put and Call Options £m
	0.5	0.3	0.7	1.5	<b>42.1</b>	4.0	<b>46.1</b>
	-	-	0.1	-	<b>0.1</b>	-	<b>0.1</b>
	-	-	-	-	-	(4.4)	<b>(4.4)</b>
	0.1	(0.3)	(0.5)	-	<b>31.0</b>	0.4	<b>31.4</b>
	<b>0.6</b>	<b>-</b>	<b>0.3</b>	<b>1.5</b>	<b>73.2</b>	<b>-</b>	<b>73.2</b>

Methodology	Maximum price	Recognised as a liability	
		At 1 February 2020	At 2 February 2019
		£m	£m
The option price is calculated based on a multiple of the audited profit before distributions, interest, amortisation and exceptional items but after taxation for the relevant financial year prior to the exercise date.	The option price shall not exceed £12.5 million.	<b>0.1</b>	0.1
The option price is calculated based on a multiple of the average earnings before tax for the relevant two financial years prior to the exercise date.	The put option price shall not exceed 20 million.	<b>0.4</b>	0.9
The option price is calculated based on a multiple of the average operating profit for the financial ending 3 February 2018 and the prior year.	The option price shall not exceed £8 million or 25p per share.	<b>-</b>	0.6

## 21. Trade and Other Payables (continued)

Company	Options in existence	Exercise periods
JD Sports Gyms Limited	Put and call option whereby JD Sports Fashion Plc may acquire 12.5% of the issued share capital of JD Sports Gyms Limited in five tranches of 2.5%.	The put and call options are exercisable 30 days after the approval by the Board of the annual audited accounts of: <ul style="list-style-type: none"> <li>• The year ended 31 January 2020</li> <li>• The year ended 31 January 2021</li> <li>• The year ended 31 January 2022</li> <li>• The year ended 31 January 2023</li> <li>• The year ended 31 January 2024</li> </ul>
Iberian Sports Retail Group	First put option whereby JD Sports Fashion Plc may acquire or be required to acquire 70% of the option holders 20% holding of the issued share capital of JD Sprinter Holdings. Second put option whereby JD Sports Fashion Plc may acquire or be required to acquire 30% of the option holders 20% holding of the issued share capital of JD Sprinter Holdings in three tranches of 10%.	The first put option is exercisable after 31 January 2021. The second put option is exercisable after at least one year has lapsed since the first put option was exercised. The 30% option, in three separate tranches of 10%, need not be exercised in consecutive years.
Dantra Limited	First put and call option whereby JD Sports Fashion Plc may acquire 12.5% of the issued share capital of Dantra Limited. Second put and call option whereby JD Sports Fashion Plc may acquire 12.5% of the issued share capital of Dantra Limited.	The first put option is exercisable for a ten year period beginning the day after the accounts of Dantra Limited are signed by the auditors for the financial year ending 31 January 2022. The second put option is exercisable after at least one year has lapsed since the first put option was exercised.
Sportibérica Sociedade de Artigos de Desporto, S.A	Call option whereby JD Sports Fashion Plc may acquire 20% of the issued share capital of Sportiberica Sociedade de Artigos de Desporto, S.A.	The call option is exercisable 3 months after the approval by the Shareholders General Meeting of the annual audited accounts of the period ending 1 February 2020, 30 January 2021 or 29 January 2022.

## 21. Trade and Other Payables (continued)

Methodology	Maximum price	Recognised as a liability	
		At 1 February 2020	At 2 February 2019
		£m	£m
The option price is calculated based on a multiple of profit before tax for the relevant financial year prior to the exercise date.	The option price shall not exceed £9 million.	1.5	1.4
The option price is calculated based on the equity value plus the outstanding loans or financing provided by the option holder with unpaid interest accrued.	The option price shall not exceed £332 million.	68.8	36.1
The option price is calculated based on a multiple of the average earnings before tax for the relevant two financial years prior to the exercise date.	Each put option price shall not exceed £7.8 million.	0.6	0.5
The option price is calculated based on a multiple of earnings before interest, tax, depreciation and amortisation for the relevant financial period plus a % of post completion cash.	The minimum option price is 6 million; 6.1 million and 6.2 million for the financial period ending 2 February 2019; 1 February 2020 and 30 January 2021 respectively. The maximum option price is 11 million; 12 million and 13 million for the financial period ending 2 February 2019; 1 February 2020 and 30 January 2021 respectively.	-	4.0

## 21. Trade and Other Payables (continued)

Company	Options in existence	Exercise periods
Base Childrenswear Limited	Put and call options whereby JD Sports Fashion Plc may acquire or be required to acquire 20% of the issued share capital in Base Childrenswear Limited.	The put and call options are exercisable 3 months after the approval by the auditors of the annual accounts of: <ul style="list-style-type: none"> <li>• The year ended 31 January 2021</li> <li>• The year ended 31 January 2022</li> <li>• The year ended 31 January 2023</li> <li>• The year ended 31 January 2024</li> </ul>
Tessuti Limited	<p>First put and call option whereby JD Sports Fashion Plc may acquire or be required to acquire 100% of the option holders 6.8% of the issued share capital of Tessuti Limited over four separate tranches.</p> <p>Second put and call option whereby JD Sports Fashion Plc may acquire or be required to acquire 100% of the option holders 1.7% of the issued share capital of the issued share capital of Tessuti Limited in one tranche.</p> <p>Third put option whereby JD Sports Fashion Plc may acquire 4% of the issued share capital of Tessuti Limited in four tranches of 187.5 shares.</p>	<p>The first put option is exercisable 30 days after the approval by the auditors of the annual Tessuti Limited accounts of:</p> <ul style="list-style-type: none"> <li>• The year ended 31 January 2021</li> <li>• The year ended 31 January 2022</li> <li>• The year ended 31 January 2023</li> <li>• The year ended 31 January 2024</li> </ul> <p>The second is exercisable 3 months after the approval by the auditors of the annual accounts of:</p> <ul style="list-style-type: none"> <li>• The year ended 31 January 2024</li> </ul> <p>The third put option is exercisable 30 days after the approval by the auditors of the annual Giulio Limited accounts of:</p> <ul style="list-style-type: none"> <li>• The year ended 31 January 2023</li> <li>• The year ended 31 January 2024</li> <li>• The year ended 31 January 2025</li> <li>• The year ended 31 January 2026</li> </ul>
JD Sports Fashion Holdings Australia Pty	Put option whereby JD Sports Fashion Plc may acquire 20% of the issued share capital of Next Athleisure Limited in tranches of 10%.	The put option is exercisable after 26 August 2019 and is only exercisable once per annum, 30 days after the approval of the annual consolidated accounts of JD Sports Fashion Holdings Australia Pty.

## 21. Trade and Other Payables (continued)

Methodology	Maximum price	Recognised as a liability	
		At 1 February 2020	At 2 February 2019
		£m	£m
The option price is calculated based on the lower of average earnings before interest, tax, depreciation and amortisation or forecast earnings before interest, tax, depreciation and amortisation for the relevant financial period.	The maximum option price is £20 million.	-	0.3
The option price is calculated based on a multiple of earnings before interest, tax, depreciation and amortisation for the relevant two financial years prior to the exercise date.	<p>The option price shall not exceed £30 million for the first and second put and call option.</p> <p>The maximum option price for the third put option is £7.5 million.</p>	0.3	0.7
The option price is calculated based on a multiple of earnings before interest, tax, depreciation and amortisation for the relevant financial period, less net debt as a % of the total number of shares in issue as at the date of the proposed completion.	The maximum option price is £20 million.	1.5	1.5



## 21. Trade and Other Payables (continued)

Company	Options in existence	Exercise periods
Bernard Esher Limited	Put and call option whereby JD Sports Fashion Plc may acquire or be required to acquire 20% of the issued share capital of Bernard Esher Limited.	<p>The put option is exercisable 30 days after the approval by the auditors of the annual Bernard Esher Limited accounts of:</p> <ul style="list-style-type: none"> <li>The year ended 31 January 2021</li> </ul> <p>The call option may only be exercised:</p> <ul style="list-style-type: none"> <li>30 days following the publication of the audited accounts of the year ended 31 January 2022, or</li> <li>within a period of 6 calendar months commencing on the date the relevant Seller ceases to be an employee or director of the Company.</li> </ul>

## 22. Provisions

A provision is recognised in the Consolidated Statement of Financial Position 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.

**ONEROUS LEASE PROVISION**

Under IFRS16 onerous lease provisions are no longer applicable as the impact of the provision is reflected in the calculation of right of use asset valuation.

**ONEROUS CONTRACTS PROVISION**

Within the onerous contracts provision, management have provided against the minimum contractual cost for the remaining term on non-cancellable sponsorship contracts. For contracts where there is probable risk that the costs to fulfil the terms of the contract are higher than the income received, a provision is made to the extent that the contract is deemed onerous.

## 21. Trade and Other Payables (continued)

Methodology	Maximum price	Recognised as a liability	
		At 1 February 2020	At 2 February 2019
		£m	£m
The option price is calculated based on a multiple of earnings before interest, tax, depreciation and amortisation for the relevant two financial years prior to the exercise date.	The maximum consideration is £4.68 million	-	-
		<b>73.2</b>	46.1

## 22. Provisions (continued)

	Onerous property leases	Onerous contracts	Total
	£m	£m	£m
Balance at 2 February 2019	2.4	0.1	2.5
Reversal of onerous lease provision (IFRS 16)	(2.4)	-	(2.4)
Provisions utilised during the period	-	(0.1)	(0.1)
<b>Balance at 1 February 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>

Provisions have been analysed between current and non-current as follows:

	2020	2019
	£m	£m
Current	-	1.3
Non-current (within five years)	-	1.2
	-	2.5

## 23. Deferred Tax Assets and Liabilities

### RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020	Assets 2019	Liabilities 2020	Liabilities 2019	Net 2020	Net 2019
	£m	£m	£m	£m	£m	£m
Property, plant and equipment	-	1.2	(6.4)	-	(6.4)	1.2
Fascia name	-	-	(20.3)	(13.6)	(20.3)	(13.6)
Other temporary differences	13.0	-	-	0.6	13.0	0.6
Tax losses	1.2	0.8	-	-	1.2	0.8
Tax assets / (liabilities)	14.2	2.0	(26.7)	(13.0)	(12.5)	(11.0)

The UK corporation tax rate reduced to 19% with effect from 1 April 2017 and was expected to reduce to 17% with effect from 1 April 2020 as at the balance sheet date. The deferred tax liability at 1 February 2020 has been calculated based on a rate of 17% as this was the prevailing rate at which the group expected the deferred tax liability to reverse. The UK Government announced in the Budget on 11 March 2020 that the reduction in the rate to 17% was to be cancelled and the UK corporation tax rate is to remain at 19%. Had the deferred tax liability been calculated at 19%, the deferred tax liability would increase by £1.7m.

Deferred tax assets on losses of £17.4 million (2019: £12.2 million) within SDSR – Sports Division SR, S.A.; £3.6 million (2019: £3.0 million) within JD Size GmbH; £1.9 million within JD Sports Fashion AT GmbH; £3.2 million (2019: £1.3 million) within JD Sports Fashion Sweden AB; £0.3 million (2019: £0.3 million) within JD Sports Fashion Denmark ApS; £2.0 million (2019: £0.6 million) within JD Sports Fashion Finland OY; £8.2 million

within JD Sports Fashion Korea Inc; £0.9 million (2019: £0.3 million) within JD Sports (Thailand) Limited; £0.4 million (2019: £0.4 million) within Focus Brands Limited (and its subsidiaries); £3.6 million (2019: £3.6 million) within KGR Rugby Limited; £nil (2019: £0.7 million) within Blacks Outdoor Retail Limited; £3.7 million (2019: £3.7 million) within Champion Retail Limited; £2.1 million (2019: £2.1 million) within Ark Fashion Limited; £0.1 million (2019: £0.1 million) within Kukri Sports Limited (and its subsidiaries); £4.7 million (2019: £1.6 million) within Tiso Group Limited (and its subsidiaries); £4.6 million (2019: £4.6 million) within Clothingsites.co.uk Limited; £1.0 million (2019: £0.5 million) within 2 Squared Agency Limited; and £1.0 million within UC Clothing Limited have not been recognised as there is uncertainty over the utilisation of these losses.

## 23. Deferred Tax Assets and Liabilities (continued)

### MOVEMENT IN DEFERRED TAX DURING THE PERIOD

	Property, plant and equipment	Fascia name	Other	Tax losses	Total
	£m	£m	£m	£m	£m
Balance at 3 February 2018	1.8	(14.7)	4.9	2.7	(5.3)
Recognised on acquisition	(0.2)	(0.3)	(4.5)	-	(5.0)
Recognised in income	(0.5)	1.3	0.4	(2.0)	(0.8)
Foreign exchange movements	0.1	0.1	(0.2)	0.1	0.1
Balance at 2 February 2019	1.2	(13.6)	0.6	0.8	(11.0)
Recognised on acquisition	(0.6)	(6.3)	0.5	-	(6.4)
Recognised on disposal	0.1	-	(1.3)	-	(1.2)
Recognised in income	(8.0)	4.3	9.6	0.4	6.3
Reclassifications	0.7	(4.4)	3.7	-	-
Foreign exchange movements	0.2	(0.3)	(0.1)	-	(0.2)
<b>Balance at 1 February 2020</b>	<b>(6.4)</b>	<b>(20.3)</b>	<b>13.0</b>	<b>1.2</b>	<b>(12.5)</b>

As at 1 February 2020, the Group has no recognised deferred income tax liability (2019: £nil) in respect of taxes that would be payable on the unremitted earnings of certain overseas subsidiaries. As at 1 February 2020, the unrecognised gross temporary differences in respect of overseas subsidiaries is £192.7 million

(2019: £92.9 million). No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption and the availability of double tax relief.

There are no income tax consequences attached to the payment of dividends by the Group to its shareholder.

## 24. Capital and Reserves

### ISSUED ORDINARY SHARE CAPITAL

The total number of authorised ordinary shares was 1,243,000,000 (2019: 1,243,000,000) with a par value of 0.25p per share (2019: 0.25p per share). All issued shares are fully paid.

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.

It is the Board's policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The processes for managing the Group's capital levels are that the Board regularly monitors the net cash / debt in the

business, the working capital requirements and forecast cash flows. Based on this analysis, the Board determines the appropriate return to equity holders while ensuring sufficient capital is retained in the business to meet its strategic objectives.

The Board consider the capital of the Group as the net cash / debt at the year end (see note 29) and the Board review the gearing position of the Group which as at 1 February 2020 was 1.6% (2019: 2.7%). 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 117.

## 24. Capital and Reserves (continued)

	Number of ordinary shares	Ordinary share capital
	thousands	£m
<b>At 2 February 2019 and 1 February 2020</b>	<b>973,233</b>	<b>2.4</b>

**FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

## 25. Non-controlling Interests

The following disclosure provides summarised financial information for investments that have non-controlling interests. Non-controlling interest is initially measured at the proportionate interest in identifiable net assets of the acquiree.

The table below provides a list of the subsidiaries which include non-controlling interests at 1 February 2020 and 2 February 2019:

Country of incorporation	% of non- controlling interests and non-controlling voting rights at 1 February 2020	% of non- controlling interests and non- controlling voting rights at 2 February 2019	Net income/ (loss) attributable to non- controlling interests for 52 weeks ending 1 February 2020	Non- controlling interests at 1 February 2020	Net income/ (loss) attributable to non- controlling interests for 52 weeks ending 2 February 2019	Non- controlling interests at 2 February 2019	
			£m	£m	£m	£m	
Name of subsidiary:							
Iberian Sports Retail Group SL	Spain/ Portugal/ Canaries	50.0%	50.0%	8.9	62.4	4.7	53.2
JD Sports Fashion Korea	Korea	50.0%	50.0%	(3.0)	10.1	(2.4)	13.2
Other	UK/ Malaysia/ India/ Germany/ Australia	12.5%–50%	15%–0%	(1.3)	(2.5)	0.1	1.6
				<b>4.6</b>	<b>70.0</b>	<b>2.4</b>	<b>68.0</b>

During the period, the Group has increased its shareholding in four non-wholly owned subsidiaries. For newly acquired non-wholly owned subsidiaries, further details are provided in Note 11.

## 25. Non-controlling Interests (continued)

	Iberian Sports Retail Group SL 2020	Iberian Sports Retail Group SL 2019
	£m	£m
<b>Summarised statement of financial position</b>		
Current assets	216.1	156.5
Non-current assets	166.4	148.3
Total assets	382.5	304.8
Current liabilities	(204.3)	(158.1)
Non-current liabilities	(29.2)	(27.4)
Net assets	149.0	119.3

	Iberian Sports Retail Group SL 52 weeks to 1 February 2020	Iberian Sports Retail Group SL 52 weeks to 2 February 2019
	£m	£m
<b>Summarised results of operations</b>		
Revenue	629.9	533.7
Profit for the period, net of tax	25.7	13.4

	Iberian Sports Retail Group SL 52 weeks to 1 February 2020	Iberian Sports Retail Group SL 52 weeks to 2 February 2019
	£m	£m
<b>Summarised statement of cash flows</b>		
Net cash provided by operating activities	42.2	42.0
Net cash used in investing activities	(22.2)	(16.1)
Net cash from financing activities	0.4	22.6
<b>Cash and cash equivalents:</b>		
At the beginning of the period	62.1	13.6
<b>At the end of the period</b>	<b>82.5</b>	<b>62.1</b>

## 26. Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group and Company financial statements in the period in which it is approved.

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

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
0.00p per ordinary share (2019: 1.44p)	-	14.0

### Dividends on Issued Ordinary Share Capital

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
Final dividend of 1.44p (2019: 1.37p) per qualifying ordinary share paid in respect of prior period, but not recognised as a liability in that period	14.0	13.3
Interim dividend of 0.28p (2019: 0.27p) per qualifying ordinary share paid in respect of current period	2.7	2.6
	16.7	15.9

## 27. Commitments

As at 1 February 2020, the Group had entered into contracts to purchase property, plant and equipment as follows:

	2020	2019
	£m	£m
Contracted	20.3	8.2

## 28. Pension Schemes

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.

The pension charge for the period represents contributions payable by the Group of £13.1 million (2019: £11.8 million) in respect of employees. Disclosure of the pension contributions payable in respect of the Directors is included in the Directors Remuneration Report. The amount owed to the schemes at the period end was £1.8 million (2019: £1.1 million).

## 29. Analysis of Net Cash

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

	At 2 February 2019	On acquisition of subsidiaries	Cash flow	Non-cash movements	At 1 February 2020
	£m	£m	£m	£m	£m
Cash at bank and in hand	251.2	7.8	205.2	1.7	465.9
Overdrafts	(13.5)	-	7.9	-	(5.6)
<b>Cash and cash equivalents</b>	<b>237.7</b>	<b>7.8</b>	<b>213.1</b>	<b>1.7</b>	<b>460.3</b>
Interest-bearing loans and borrowings: Bank loans	(74.4)	(15.7)	59.3	1.1	(29.7)
Syndicated bank facility	(30.0)	-	30.0	-	-
Finance lease liabilities	(8.1)	-	-	8.1	-
Other loans	-	-	(0.7)	-	(0.7)
<b>Net Cash / (financial debt)</b>	<b>125.2</b>	<b>(7.9)</b>	<b>301.7</b>	<b>10.9</b>	<b>429.9</b>
Lease liabilities	-	-	264.8	(2,257.5)	(1,992.7)
<b>Net Debt</b>	<b>125.2</b>	<b>(7.9)</b>	<b>566.5</b>	<b>(2,246.6)</b>	<b>(1,562.8)</b>

## 30. Related Party Transactions and Balances

Transactions and balances with each category of related parties during the period are shown below. Transactions were undertaken in the ordinary course of business on an arm's length basis. Outstanding balances are unsecured (unless otherwise stated) and will be settled in cash.

### TRANSACTIONS WITH RELATED PARTIES WHO ARE NOT MEMBERS OF THE GROUP

#### PENTLAND GROUP LIMITED

Pentland Group Limited owns 55% (2019: 57.5%) of the issued ordinary share capital of JD Sports Fashion Plc. The Group made purchases of inventory from Pentland Group Limited in the period and the Group also sold inventory to Pentland Group Limited. The Group also paid royalty costs to Pentland Group Limited for the use of a brand.

During the period, the Group entered into the following transactions with Pentland Group Limited:

	Income from related parties 2020	Expenditure with related parties 2020	Income from related parties 2019	Expenditure with related parties 2019
	£m	£m	£m	£m
Sale of inventory	1.6	-	3.3	-
Purchase of inventory	-	(48.4)	-	(42.9)
Royalty costs	-	(5.1)	-	(4.9)
Marketing costs	0.1	-	0.8	-
Other income	0.5	-	0.1	-

### 30. Related Party Transactions and Balances (continued)

At the end of the period, the following balances were outstanding with Pentland Group Limited:

	Amounts owed by related parties 2020	Amounts owed to related parties 2020	Amounts owed by related parties 2019	Amounts owed to related parties 2019
	£m	£m	£m	£m
Trade receivables / (payables)	1.4	(1.1)	0.6	(0.1)

Other than the remuneration of Directors as shown in note 5 and in the Directors' Remuneration Report on page 149 there have been no other transactions with Directors in the year (2019: nil).

### 31. Post Balance Sheet Events

#### ONEPOINTFIVE VENTURES LIMITED TRADING AS LIVESTOCK ("LIVESTOCK")

On 10 February 2020, the Group acquired 100% of the issued share capital of Onepointfive Ventures Limited DBA Livestock ("Livestock") through a newly established Canadian holdco structure (JDSF Holdings (Canada) Inc "Holdco"). Consideration was comprised of £7.0 million in cash and 20% of the equity in Holdco. Effectively, the Group acquired 80% of Livestock. Based in Vancouver, this business and its management team will provide the platform to develop JD in Canada.

Included within the provisional fair value of the net identifiable assets on acquisition is an intangible asset of £1.2 million, representing the "Livestock" fascia name. The Board believes that the excess of consideration paid over net assets on acquisition of £6.7 million is best considered as goodwill on acquisition representing future operating synergies. The provisional goodwill calculation is summarised below:

	Book value	Measurement adjustments	Provisional fair value at 10 February 2020
	£m	£m	£m
Acquiree's net assets at acquisition date: Intangible assets	-	1.2	1.2
Property, plant and equipment	0.4		0.4
Inventories	0.5		0.5
Cash and cash equivalents	(0.8)		(0.8)
Trade and other receivables	0.1		0.1
Trade and other payables	(0.4)		(0.4)
Deferred tax liability	-	(0.3)	(0.3)
Corporation Tax	(0.3)		(0.3)
Net identifiable assets	(0.5)	0.9	0.4
Non-controlling interest	0.1	(0.2)	(0.1)
Goodwill on acquisition			6.7
Consideration paid – satisfied in cash			7.0
Total consideration			7.0

### 31. Post Balance Sheet Events (continued)

#### FOOTASYLUM LIMITED

The Competition and Markets Authority ("CMA") announced in its Final Report on 6th May 2020 that they were prohibiting the merger with Footasylum Limited and that, consequently, they required the Group to fully divest its investment. The Group are currently in negotiations with the CMA as to how the disposal process will be conducted and monitored and have also made a claim for Judicial Review to the Competition Appeal Tribunal. At the date of this announcement, the exact nature and timing of the disposal process is unknown and the Group may not recover the carrying value as part of this disposal.

#### COVID-19

COVID-19 is a non-adjusting post balance sheet event for the Group. The Group has considered the impact of COVID-19 as at the date of signing these financial statements. As noted below, the key area of impact is in regards to Go Outdoors Limited.

#### GO OUTDOORS LIMITED

The onset of COVID-19 in March 2020, and the subsequent requirement to close all stores on 23 March 2020, presented Go Outdoors Limited with a new significant trading challenge with the Board ultimately deciding that it was not in the best interests of the wider Group, and its shareholders, to provide continued financial support to the company in its existing form. Administrators were subsequently appointed to Go Outdoors Limited on 23 June 2020.

Prior to making this decision, the Board considered a number of strategic options for Go Outdoors Limited which included the appointment of advisers in May 2020 to market the business for a potential sale. The Board examined the offers made through the marketing process together with the other options available to it and has ultimately determined that, if fundamentally restructured, Go would have a future in the Group. Consequently, the Group, via its newly incorporated subsidiary JD Newco 1 Limited, subsequently re-acquired

the business and substantially all of the assets of Go Outdoors Limited from its Administrators for consideration of £56.5 million of which £55.2 million returns to the Group as partial repayment against an intergroup receivable of £82.8 million. This proposal was reviewed and cleared in advance by the independent Pre Pack Pool.

At the point of administration, Go Outdoors Limited operated 67 standalone stores and a trading website. The Group has taken an initial 12 month licence with the Administrator at the previously agreed rental payments (cancellable by store on a 2 week notice period) such that it will continue to occupy all of the Go Outdoors stores and, subject to agreeing new leases, it is the Group's intention to retain the majority of the retail estate. It is also the Group's intention to honour the principal historic liabilities of the Go business including branded stock suppliers, HMRC liabilities on taxation, customer returns, and gift cards. Further, all pre-existing Go Outdoors employees have transferred across to the new business with their previous terms and conditions of employment preserved.

Included within the Group's Statement of Financial Position at 1 February 2020 were Goodwill of £1.9 million, Intangible assets (Brand and Fascia name) of £50.2 million, Property, Plant and Equipment of £32.3 million, Right of use assets of £153.8 million, Right of use liabilities of £167.6 million, current assets of £69.7 million and current liabilities of £62.2 million. The net impact of the transaction is that the Group will de-recognise the Right of use assets and associated liabilities and record a net gain or loss.

Due to the proximity of the date of the transaction and the signing of the financial statements, the directors have yet to quantify all of the impairment and effects resulting from the transaction. This will be presented in the announcement of the Interim Results for the period to 1 August 2020.

## 32. Subsidiary Undertakings

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
2Squared Agency Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Distributor of fashion apparel and accessories	90%
ActivInstinct Holdings Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
ActivInstinct Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Allsports.co.uk Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Alpine Bikes Limited*	UK	41 Commercial Street, Leith, Edinburgh, EH6 6JD	Dormant company	60%
Alpine Group (Scotland) Limited*	UK	41 Commercial Street, Leith, Edinburgh, EH6 6JD	Intermediate holding company	60%
Ark Fashion Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Aspecto (Holdings) Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Aspecto Trading Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Athleisure Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Base Childrenswear Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of childrens fashion apparel and footwear	80%
Bernard Esher Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of premium womens fashion apparel and footwear	80%
Blacks Outdoor Retail Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of outdoor footwear, apparel and equipment	100%
Blue Retail Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%

\*Indirect holding of the Company

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
Capso Holdings Limited*	Isle of Man	33-37 Athol Street, Isle Of Man, IM1 1LB	Intermediate holding company	100%
Castlebrook Management Company Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Combined facilities support activities	100%
CCC Outdoors Limited*	UK	Cuthbert House, Arley Street, Sheffield, S2 4QP	Dormant company	100%
Champion Retail Limited*	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Retailer of sports and leisure goods	100%
Champion Sports (Holdings) Unlimited*	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Dormant company	100%
Champion Sports Group Limited*	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Intermediate holding company	100%
Champion Sports Ireland*	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Retailer of sports and leisure goods	100%
Champion Sports Newco Limited*	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Dormant company	100%
Choice 33 Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	87.55%
Choice Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of fashion apparel and footwear	87.55%
Cloggs Online Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Clothingsites Holdings Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Dantra Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of childrens fashion apparel and footwear	75%
Duffer of St George Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Licenser of a fashion brand	100%

\*Indirect holding of the Company

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
Exclusive Footwear Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	90%
First Sport Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Focus Brands Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Focus Equipment Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Focus Group Holdings Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Focus International Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Distributor of sports apparel and footwear	100%
Focus Italy S.pa.*	Italy	Viale Majno Luigi 17/A, 20122 Milano Italy	Distributor of sports apparel and footwear	100%
Focus Sports & Leisure International Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Footasylum Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of sports inspired footwear and apparel	100%
Footasylum Brands Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Footpatrol London 2002 Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Frank Harrison Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	90%
Genesis Finco Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Genesis Holdings Inc	US	3308 N. Mitthoeffer Rd. Indianapolis, IN 46235	Intermediate holding company	100%
George Fisher Holdings Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	60%
George Fisher Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of outdoor footwear, apparel and equipment	60%

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
GetTheLabel.com Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	80%
Giulio Fashion Limited	UK	24-32 King Street, Cambridge, Cambridgeshire, CB1 1LN	Intermediate holding company	87.55%
Giulio Limited*	UK	24-32 King Street, Cambridge, Cambridgeshire, CB1 1LN	Retailer of premium fashion apparel and footwear	87.55%
Giulio Woman Limited*	UK	24-32 King Street, Cambridge, Cambridgeshire, CB1 1LN	Dormant company	87.55%
Go Explore Consulting Limited*	UK	Cuthbert House, Arley Street, Sheffield, S2 4QP	Dormant company	100%
Go Outdoors Fishing Limited*	UK	Cuthbert House, Arley Street, Sheffield, S2 4QP	Retailer of outdoor leisure equipment and apparel	100%
Go Outdoors Limited*	UK	Cuthbert House, Arley Street, Sheffield, S2 4QP	Retailer of outdoor footwear, apparel and equipment	100%
Go Outdoors Topco Limited	UK	Cuthbert House, Arley Street, Sheffield, S2 4QP	Intermediate holding company	100%
Graham Tiso Limited*	UK	41 Commercial Street, Leith, Edinburgh, EH6 6JD	Retailer of outdoor footwear, apparel and equipment	60%
Henleys Clothing Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Hip Store Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of premium mens fashion apparel and footwear	100%
Iberian Sports Retail Group SL	Spain	Polígono Industrial de las Atalayas, Avenida Euro, N2, Alicante 03114.	Intermediate holding company	50%
Il Sarto Milano Limited	UK	Tanzaro House, Ardwick Green N, Manchester, M12 6HD	Retailer of fashion apparel	27%
Infinites Retail Group Holdings Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Infinites Retail Group Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%

\*Indirect holding of the Company

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
IRG Altrincham Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Birkenhead Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Blackburn Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Bradford Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Bury Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Chesterfield Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Denton Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Derby Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Stockport Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Stoke Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
IRG Warrington Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
J D Sports Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Jandernama	Spain	Polígono Industrial de las Atalayas, Avenida Euro, N2, Alicante 03114.	Intermediate holding company	100%
JD Academy Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Management consultancy activities other than financial management	100%

\*Indirect holding of the Company

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
JD Canary Islands Sports SL*	Spain	Polígono Industrial de las Atalayas, Avenida Euro, N2, Alicante 03114.	Retailer of sports inspired footwear and apparel	65%
JD Size GmbH	Germany	Schloßstraße 107-108, 12163 Berlin, Germany	Retailer of sports inspired footwear and apparel	100%
JD Spain Sports Fashion 2010 SL*	Spain	Polígono Industrial de las Atalayas, Avenida Euro, N2, Alicante 03114.	Retailer of sports inspired footwear and apparel	65%
JD Sports (Thailand) Limited	Thailand	Room No. TT04 No. 1106 Sukhumvit Road, Phrakhanong Sub-district, Klongtoey District, Bangkok	Retailer of sports inspired footwear and apparel	80%
JD Sports Active Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
JD Sports Fashion (France) SAS	France	96 R Du Pont Rompu, 59200 Tourcoing.	Intermediate holding company	100%
JD Sports Fashion AT GmbH	Austria	Wallnerstraße 1, 3. Stock, 1010 Vienna, Austria	Retailer of sports inspired footwear and apparel	100%
JD Sports Fashion Aus Pty*	Australia	Level 12, 54 Park St, Sydney, NSW 2000	Retailer of sports inspired footwear and apparel	90%
JD Sports Fashion Belgium BV	Belgium	Wiegstraat 21, 2000 Antwerpen.	Retailer of sports inspired footwear and apparel	100%
JD Sports Fashion BV	Netherlands	Oosteinderweg 247 B 1432 AT Aalsmeer.	Retailer of sports inspired footwear and apparel	100%
JD Sports Fashion Denmark APS	Denmark	c/o Harbour House, Sundkrogsgade 21, 2100 Copenhagen.	Retailer of sports inspired footwear and apparel	100%
JD Sports Fashion Finland OY	Finland	c/o Intertrust Finland Oy, Lautatarhankatu 6, 00580, Helsinki	Retailer of sports inspired footwear and apparel	100%
JD Sports Fashion Germany GmbH	Germany	Lap Street 107-108, 12163 Berlin.	Retailer of sports inspired footwear and apparel	80%
JD Sports Fashion Holdings Aus Pty	Australia	Level 12, 54 Park St, Sydney, NSW 2000	Intermediate holding company	90%



## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
JD Sports Fashion India LLP	India	B-808 The Platina, Gachibawli, Hyderabad, Telangana, India - 500032	Outsourced multi-channel operations	100%
JD Sports Fashion Korea Inc	Korea	6F Yoonik Bldg. 430 Eonju-ro, Gangnam-gu, Seoul	Retailer of sports inspired footwear and apparel	50%
JD Sports Fashion PTE LTD*	Singapore	190 Middle Road, 14-05, Fortune Centre, Singapore, 188979	Retailer of sports inspired footwear and apparel	80%
JD Sports Fashion SDN BHD	Malaysia	Suite D23, 2ND Floor, Plaza Pekeliling, No. 2, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia	Retailer of sports inspired footwear and apparel	80%
JD Sports Fashion SRL	Italy	Via Montenapoleone n. 29 - 20121 Milan, Italy	Retailer of sports inspired footwear and apparel	100%
JD Sports Fashion Sweden AB	Sweden	C/o Intertrust CN (Sweden) AB, PO Box 16285, 103 25 Stockholm, Sweden	Retailer of sports inspired footwear and apparel	100%
JD Sports Gyms Acquisitions Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	87.5%
JD Sports Gyms Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Operator of fitness centres	87.5%
John David Sports Fashion (Ireland) Limited	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Retailer of sports inspired footwear and apparel	100%
KGR Rugby Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Distributor of rugby apparel and accessories	100%
Kukri (Asia) Limited*	Hong Kong	Unit 4, 27th Floor, Global Trade Square, 21 Wong Chuk Hang Road, Hong Kong	Distributor of sports apparel and accessories	100%
Kukri (HK) Limited*	Hong Kong	Unit 4, 27th Floor, Global Trade Square, 21 Wong Chuk Hang Road, Hong Kong	Dormant company	100%
Kukri Australia Pty Limited*	Australia	39 Charles Street, Norwood, SA 5067	Distributor of sports apparel and accessories	100%

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
Kukri Events Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Kukri GB Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Distributor and retailer of sports apparel and accessories	100%
Kukri NZ Limited*	New Zealand	Unit 2, 45 The Boulevard, Te Rapa Park, Hamilton	Distributor of sports apparel and accessories	75%
Kukri Pte Limited*	Singapore	10 Anson Road, 19-15 International Plaza, Singapore 079903	Distributor of sports apparel and accessories	100%
Kukri Shanghai Limited*	Shanghai	Room 221-225, No. 2 Building, No.38 Debao Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131, China	Distributor of sports apparel and accessories	100%
Kukri Sports Canada Inc*	Canada	106-1533 Broadway St, Port Coquitlam, British Columbia, V3c 6P3	Distributor of sports apparel and accessories	75%
Kukri Sports Ireland Limited*	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Distributor of sports apparel and accessories	100%
Kukri Sports Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Kukri Sports Middle East JLT*	Middle East	Lakeview Tower, Jumeirah Lake Towers, Dubai, United Arab Emirates	Distributor of sports apparel and accessories	100%
Mainline Menswear Holdings Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	80%
Mainline Menswear Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of premium mens fashion apparel and footwear	80%
Mallet Footwear LTD	UK	31 Grange Court Upper Park, Loughton, Essex, England, IG10 4QY	Retailer of fashion apparel and footwear	25%
Marathon Sports Limited*	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Dormant company	100%

\*Indirect holding of the Company

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
Millets Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Mitchell's Practical Campers Limited*	UK	Cuthbert House, Arley Street, Sheffield, S2 4QP	Dormant company	100%
Nanny State Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Nicholas Deakins Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Distributor of fashion footwear	100%
Old Brown Bag Clothing Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
OneTrueSaxon Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Open Fashion Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
PCPONE*	Ireland	3 Burlington Road, Dublin 4, D04RD68, Republic of Ireland	Intermediate holding company	100%
Peter Werth Limited*	UK	Millae & Bryce Limited, Bonnington Bond 2 Anderson Place, Edinburgh, EH6 5NP	Dormant company	100%
PG2019 Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of fashion apparel and footwear	100%
Pink Soda Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Premium Fashion Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Prima Designer Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
R.D. Scott Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of fashion apparel and footwear	100%

\*Indirect holding of the Company

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
Rascal Clothing Ltd	UK	Acre House, 11/15 William Road, London, United Kingdom, NW1 3ER	Retailer of fashion apparel and footwear	50%
SDSR – Sports Division SR, S.A*	Portugal	Rua Joao Mendoca, n.º 505, Matosinhos Freguesia, São Mamede de Infesta e Senhora da Hora, 4464 503 Matosinhos, Portugal	Retailer of sports and leisure goods	50%
Shanghai Go Outdoors Limited*	China	Room A1412, 1 Building, No.5500 Yuanjiang Road, Minhang, Shanghai, China	Sourcing of products and management of supplier relationships	100%
Size? Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of sports inspired footwear and apparel	100%
Sonneti Fashions Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Source Lab Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Design and distributor of sportswear	85%
South South East Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	50.1%
Spikes Holding LLC*	US	3308 N. Mitthoeffer Rd. Indianapolis, IN 46235	Dormant company	100%
Spodis SA*	France	96 R Du Pont Rompu, 59200 Tourcoing, France	Retailer of sports and leisure goods	100%
Sport Zone Canarias (SL)*	Spain	Avenida el Paso, 10, 1º, Edificio Multiusos, Polígono Industrial Los Majuelos, La Laguna 38201, Santa Cruz de Tenerife, Spain	Retailer of sports and leisure goods	30%
Sportiberica – Sociedade de Arigos de Desporto S.A.	Portugal	Avenida das Indústrias, n.º 63, Agualva do Cacém, Sintra, Portugal	Retailer of sports and leisure goods	65%
Sports Unlimited Retail BV	Netherlands	Oosteinderweg 247 B 1432 AT Aalsmeer, The Netherlands	Retailer of sports and leisure goods	100%

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
Sprinter Megacentros Del Deporte SLU*	Spain	Polígono Industrial de las Atalayas, Avenida Euro, N2, Alicante 03114, Spain	Retailer of sports and leisure goods	50%
Squirrel Sports Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Streamdata Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Business support service activities	100%
Tessuti Group Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Intermediate holding company	100%
Tessuti Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of fashion apparel and footwear	87.55%
Tessuti Retail Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
The Alpine Group Limited*	UK	41 Commercial Street, Leith, Edinburgh, EH6 6JD	Intermediate holding company	60%
The Couture Club Ltd*	UK	Tanzaro House, Ardwick Green N, Manchester, England, M12 6HD	Retailer of fashion apparel	36%
The Finish Line Distribution, Inc	US	3308 N. Mitthoeffer Rd. Indianapolis, IN 46235	Retailer of sports and leisure inspired goods	100%
The Finish Line MA, Inc	US	3308 N. Mitthoeffer Rd. Indianapolis, IN 46235	Dormant company	100%
The Finish Line Puerto Rico, Inc	US	3308 N. Mitthoeffer Rd. Indianapolis, IN 46235	Retailer of sports and leisure inspired goods	100%
The Finish Line Transportation, Inc	US	3308 N. Mitthoeffer Rd. Indianapolis, IN 46235	Retailer of sports and leisure inspired goods	100%
The Finish Line USA, Inc	US	3308 N. Mitthoeffer Rd. Indianapolis, IN 46235	Retailer of sports and leisure inspired goods	100%
The Finish Line, Inc	US	3308 N. Mitthoeffer Rd. Indianapolis, IN 46235	Intermediate holding company	100%

\*Indirect holding of the Company

## 32. Subsidiary Undertakings (continued)

Name of subsidiary	Place of Registration	Registered Address	Nature of Business and Operation	Ownership & Voting Rights Interest
The John David Group Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Tiso Group Limited	UK	41 Commercial Street, Leith, Edinburgh, EH6 6JD	Intermediate holding company	60%
Topgrade Sportswear Holdings Limited	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	80%
Topgrade Sportswear Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Distributor and multichannel retailer of sports and fashion apparel and footwear	80%
Touchwood Sports Limited	UK	Cuthbert House, Arley Street, Sheffield, S2 4QP	Dormant company	100%
UC Clothing Limited	UK	Kendal House Murley Moss Business Park, Oxenholme Road, Kendal, Cumbria, England, LA9 7RL	Retailer of fashion apparel and footwear	50.1%
Ultimate Outdoors Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Varsity Kit Limited*	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Dormant company	100%
Weavers Door Ltd	UK	Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR	Retailer of fashion apparel and footwear	100%

## As at 1 February 2020

		As at 1 February 2020	As at 2 February 2019
	Note	£m	£m
<b>Assets</b>			
Intangible assets	C5	27.9	26.0
Property, plant and equipment	C6	607.6	158.4
Investment property	C8	3.0	3.2
Other assets	C9	-	12.8
Investments	C10	587.3	520.7
Associates		2.5	-
Deferred tax assets	C17	1.0	1.7
<b>Total non-current assets</b>		<b>1,229.3</b>	722.8
Stocks	C11	181.6	169.8
Debtors	C12	487.6	449.5
Cash and cash equivalents	C13	143.8	81.2
<b>Total current assets</b>		<b>813.0</b>	700.5
<b>Total assets</b>		<b>2,042.3</b>	1,423.3
<b>Liabilities</b>			
Interest-bearing loans and borrowings	C13	-	(30.0)
Creditors : amounts falling due within one year	C14	(370.8)	(345.9)
Lease Liabilities	C7	(68.3)	-
Provisions	C16	-	(0.3)
Income tax liabilities		(27.4)	(25.3)
<b>Total current liabilities</b>		<b>(466.5)</b>	(401.5)
Creditors: amounts falling due after more than one year	C15	(5.6)	(33.4)
Lease Liabilities	C7	(420.9)	-
Provisions	C16	-	(0.2)
<b>Total non-current liabilities</b>		<b>(426.5)</b>	(33.6)
<b>Total liabilities</b>		<b>(893.0)</b>	(435.1)
<b>Total assets less total liabilities</b>		<b>1,149.3</b>	988.2
<b>Capital and reserves</b>			
Issued ordinary share capital	C18	2.4	2.4
Share premium		11.7	11.7
Retained earnings		1,135.2	974.1
<b>Total equity</b>		<b>1,149.3</b>	988.2

These financial statements were approved by the Board of Directors on 7 July 2020 and were signed on its behalf by:

**N Greenhalgh**  
Director

Registered number: 1888425

## For the 52 weeks ended 1 February 2020

	Ordinary share capital	Share premium	Retained earnings	Total equity
	£m	£m	£m	£m
Balance at 3 February 2018	2.4	11.7	760.6	<b>774.7</b>
Profit for the period	-	-	229.4	<b>229.4</b>
Total comprehensive income for the period	-	-	229.4	<b>229.4</b>
Dividends to equity holders	-	-	(15.9)	<b>(15.9)</b>
Balance at 2 February 2019	2.4	11.7	974.1	<b>988.2</b>
Profit for the period	-	-	177.8	<b>177.8</b>
Total comprehensive income for the period	-	-	177.8	<b>177.8</b>
Dividends to equity holders	-	-	(16.7)	<b>(16.7)</b>
<b>Balance at 1 February 2020</b>	<b>2.4</b>	<b>11.7</b>	<b>1,135.2</b>	<b>1,149.3</b>

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

**C1. BASIS OF PREPARATION**

The parent company financial statements of JD Sports Fashion Plc were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;

- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of JD Sports Fashion Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS15 Revenue from contracts with customers in respect of disaggregation of revenue and performance obligations;
- Certain disclosures required by IFRS16 Leases in respect of the Company acting as a lessor;
- Certain disclosures required by IFRS 3

**C1. BASIS OF PREPARATION (CONTINUED)**

Business Combinations in respect of business combinations undertaken by the Company; and

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes. The total recognised comprehensive income for the parent included in these consolidated financial statements is £177.8 million (2019: £229.4 million).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a going concern basis under the historical

cost convention except as disclosed in the accounting policies in Note 1 of the Group financial statements. The preparation of financial statements in conformity with IFRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the same for the Company as they are for the Group. For further details, see pages 182 to 189 in the Group financial statements.

On transition to IFRS 16, the Company recognised a right-of-use asset, including investment property, and lease liabilities, recognising any difference in retained earnings. The impact on transition is summarised below (not including the adjustment for deferred income, initial direct costs or onerous leases).

	3 February 2019
	£m
Right-of-use asset presented in property, plant and equipment	489.2
Lease liabilities	489.2
Retained earnings	-

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using the incremental borrowing rate at 3 February 2019. The weighted average rate applied at transition was 2.9%. As at 1 February 2020, the

weighted average discount rate applied to the lease portfolio of the Company is 3.2%.

A reconciliation of the Company's operating lease commitment at 2 February 2019 to the lease liability recognised at transition to IFRS16 is shown below.

	3 February 2019
	£m
Operating lease commitment at 2nd February 2019 as disclosed in the Group's consolidated financial statements	558.2
Discounted using the incremental borrowing rate at 3rd February 2019	(86.0)
Recognition exemption for leases of low value assets and for leases with less than 12 months of lease term at transition	(6.2)
Extension options reasonably certain to be exercised	(24.5)
Working capital movements	6.6
Adjustment for expired leases	41.1
Lease liabilities and Right of Use asset recognised at 3 February 2019	489.2

**C2. DIRECTORS REMUNERATION**

The remuneration of Executive Directors for both the Company and Group are disclosed in Note 5 of the Group financial statements.

**C3. AUDITOR'S REMUNERATION**

Fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in Note 3 of the Group financial statements.

**C4. STAFF NUMBERS AND COSTS**

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

	2020	2019
Sales and distribution	14,767	14,322
Administration	566	585
	15,333	14,907
Full time equivalents	10,173	9,542

The aggregate payroll costs of these persons were as follows:

	52 weeks to 1 February 2020	52 weeks to 2 February 2019
	£m	£m
Wages and salaries	225.7	202.9
Social security costs	15.8	13.6
Pension costs	3.4	2.4
Other employed staff costs	1.2	1.0
	246.1	219.9

**C5. INTANGIBLE ASSETS**

Goodwill in the Company comprises the goodwill on acquisition of First Sport (£15.0 million) and Allsports (£0.9 million).

Brand names in the Company comprise all brand names included in the Group table (Note 12) within the Sport Fashion segment with the exclusion of the Duffer brand name which is included within Duffer of St George Limited and the Doone brand name which is included in the Sport Zone group.

	Goodwill	Brand licences	Brand names	Software development	Total
	£m	£m	£m	£m	£m
<b>Cost or valuation</b>					
At 2 February 2019	19.9	11.7	7.4	22.8	61.8
Additions	-	-	-	13.5	13.5
At 1 February 2020	19.9	11.7	7.4	36.3	75.3
<b>Amortisation and impairment</b>					
At 2 February 2019	4.0	10.3	7.4	14.1	35.8
Charge for the period	-	0.7	-	10.9	11.6
At 1 February 2020	4.0	11.0	7.4	25.0	47.4
<b>Net book value</b>					
At 1 February 2020	15.9	0.7	-	11.3	27.9
At 2 February 2019	15.9	1.4	-	8.7	26.0

**C6. PROPERTY, PLANT AND EQUIPMENT**

	Improvements to short leasehold properties		Computer equipment	Fixtures and fittings	Motor vehicles	Right of use assets	Total
	Land						
	£m	£m	£m	£m	£m	£m	£m
<b>Cost</b>							
At 2 February 2019	13.0	18.0	42.0	259.5	0.1	-	332.6
Recognised on adoption of IFRS16	-	-	-	-	-	489.2	489.2
Additions	-	2.4	3.5	12.0	-	40.5	58.4
Disposals	-	(0.2)	(0.1)	(1.0)	-	(6.3)	(7.6)
Reclassifications	-	-	-	-	-	0.5	0.5
Other	-	0.2	-	3.7	-	-	3.9
At 1 February 2020	13.0	20.4	45.4	274.2	0.1	523.9	877.0
<b>Depreciation and impairment</b>							
At 2 February 2019	-	14.4	36.6	123.1	0.1	-	174.2
Charge for period	-	3.0	2.8	18.7	-	70.6	95.1
Disposals	-	(0.2)	-	(0.7)	-	-	(0.9)
Impairments	-	-	-	-	-	2.3	2.3
Other	-	(1.3)	-	-	-	-	(1.3)
At 1 February 2020	-	15.9	39.4	141.1	0.1	72.9	269.4
<b>Net book value</b>							
<b>At 1 February 2020</b>	<b>13.0</b>	<b>4.5</b>	<b>6.0</b>	<b>133.1</b>	<b>-</b>	<b>451.0</b>	<b>607.6</b>
At 2 February 2019	13.0	3.6	5.4	136.4	-	-	158.4

**C7. LEASES**

The Company has adopted the same accounting policies as the Group in respect of IFRS16 Leases and adopted IFRS16 on 3 February 2019. Details of the transition to this accounting standard, the accounting policies applied prior to adoption of IFRS16 Leases and those applied from 3 February 2019 onwards can be found in note 1 to the Group financial statements on pages 182 to 189 and note 14 to the Group financial statements on pages 212 to 217.

**As a lessee**

'Property, plant and equipment' comprise owned and leased assets that do not meet the definition of investment property.

		As at 2020
	note	£m
Property, plant and equipment		156.6
Right-of-use assets, except for investment property	C6	451.0
		<b>607.6</b>

**C7. LEASES (CONTINUED)**

The Company leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Company is a lessee is presented below.

**Right-of-use assets**

	Property	Vehicles	Total
	£m	£m	£m
<b>Cost</b>			
Recognised on transition to IFRS16	487.7	1.5	489.2
Additions	40.3	0.2	40.5
Disposals	(6.3)	-	(6.3)
Remeasurement adjustments	0.5	-	0.5
At 1 February 2020	522.2	1.7	523.9
<b>Depreciation and impairment</b>			
At 3 February 2019	-	-	-
Depreciation charge for the period	69.8	0.8	70.6
Impairment of Right of Use assets	2.3	-	2.3
At 1 February 2020	72.1	0.8	72.9
<b>At 1 February 2020</b>	<b>450.1</b>	<b>0.9</b>	<b>451.0</b>

**Lease Liabilities**

	As at 2020
	£m
<b>Maturity analysis - contractual undiscounted cash flows</b>	
Less than one year	78.4
One to five years	246.9
More than five years	218.9
<b>Total undiscounted lease liabilities at 1 February 2020</b>	<b>544.2</b>
<b>Lease liabilities included in the statement of financial position at 1 February 2020</b>	<b>489.2</b>
Current	68.3
Non-Current	420.9

## Amounts recognised in profit or loss

	52 weeks to 1 February 2020
	£m
Interest on lease liabilities	14.6
Variable lease payments not included in the measurement of lease liabilities	13.0
Income from subleasing right-of-use assets	0.1
Expenses relating to short terms leases and low value leases	5.8

**As a lessor**

Lease income from lease contracts in which the Company acts as a lessor is as below.

	52 weeks to 1 February 2020
	£m
Operating Lease	0.1
Lease Income	0.1

**C7. LEASES (CONTINUED)**

The Company leases out residential and office properties. The Company has classified these leases as operating leases, because they do not transfer substantially all the risk and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020	2019
	£m	£m
Within one year	0.1	0.5
Later than one year and not later than five years	0.1	0.9
After five years	-	-
	<b>0.2</b>	1.4

**C8. 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 Company has not elected to revalue investment property annually but to disclose the fair value in the Consolidated Financial Statements. An external valuation to determine the fair value is prepared every three years by persons having the appropriate professional experience. When an external valuation is not prepared, an annual assessment is conducted using internal expertise.

	£m
<b>Cost</b>	
2 February 2019 and 1 February 2020	4.8
<b>Depreciation and impairment</b>	
At 2 February 2019	1.6
Charge for period	0.2
At 1 February 2020	1.8
<b>Net book value</b>	
<b>At 1 February 2020</b>	<b>3.0</b>
At 2 February 2019	3.2

The investment properties brought forward relate to properties leased to Focus Brands Limited (£4.2 million) and Kukri Sports Limited (£0.6 million).

These properties remain Investment Properties from the Company perspective as at 1 February 2020.

Based on an external valuation prepared as at 31 December 2018, the fair value of the investment properties as at that date was £4.5 million.

Management do not consider either of the investment properties to be impaired as the future rental income supports the carrying value.

**C9. NON-CURRENT OTHER ASSETS**

	Legal Fees	Lease Premia	Total
	£m	£m	£m
<b>Cost</b>			
At 2 February 2019	19.5	5.0	24.5
IFRS16 reclassification	(19.5)	(5.0)	(24.5)
At 1 February 2020	-	-	-
<b>Depreciation and impairment</b>			
At 2 February 2019	9.0	2.7	11.7
IFRS16 reclassification	(9.0)	(2.7)	(11.7)
At 1 February 2020	-	-	-
<b>Net book value</b>			
<b>At 1 February 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 2 February 2019	10.5	2.3	12.8

**C10. INVESTMENTS**

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

	2020
	£m
<b>Cost</b>	
At 2 February 2019	526.2
Additions	109.1
<b>At 1 February 2020</b>	<b>635.3</b>
<b>Impairment</b>	
At 2 February 2019	5.5
Impairments	42.5
At 1 February 2020	48.0
<b>Net book value</b>	
<b>At 1 February 2020</b>	<b>587.3</b>
At 2 February 2019	520.7

The additions to investments in the current year comprise the following. Unless otherwise stated the investment is 100% owned.

	2020
	£m
Footasylum Plc	86.0
Sports Unlimited Retail BV	12.3
JD Sports Fashion Sweden AB	4.1
Rascal Clothing Limited	3.5
JD Sports Fashion Finland Oy	2.6
Bernard Esher Limited	0.3
UC Clothing Limited	0.3
Total additions	109.1

A list of subsidiaries is shown in Group Note 32.

**C11. STOCKS**

	2020	2019
	£m	£m
Finished goods and goods for resale	<b>181.6</b>	169.8

The Company has £19.0 million (2019: £18.3 million) of stock provisions at the end of the period.

**C12. TRADE AND OTHER RECEIVABLES**

	2020	2019
	£m	£m
<b>Current assets</b>		
Trade receivables	<b>2.0</b>	2.4
Other receivables	<b>14.5</b>	21.2
Prepayments and accrued income	<b>33.8</b>	23.5
Amounts owed by other Group companies	<b>437.3</b>	402.4
	<b>487.6</b>	449.5

A summary of the Company's exposure to credit risk for trade receivables is as follows:

	Gross	2020 Provision	Net	Gross	2019 Provision	Net
	£m	£m	£m	£m	£m	£m
Not past due	<b>1.6</b>	-	<b>1.6</b>	1.8	-	1.8
Past due 0 - 30 days	<b>0.1</b>	-	<b>0.1</b>	0.3	-	0.3
Past due 30-60 days	<b>0.3</b>	-	<b>0.3</b>	0.1	-	0.1
Past 60 days	<b>0.3</b>	<b>(0.3)</b>	-	0.4	(0.2)	0.2
	<b>2.3</b>	<b>(0.3)</b>	<b>2.0</b>	2.6	(0.2)	2.4

At 1 February 2020, the exposure to credit risk for trade receivables by geographic region was as follows:

	As at 1 February 2020 Total	As at 2 February 2019 Total
	£m	£m
Trade receivables		
UK and Rest of world	-	1.0
Europe	<b>2.3</b>	1.6
<b>Total</b>	<b>2.3</b>	2.6

At 1 February 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	As at 1 February 2020 Total	As at 2 February 2019 Total
	£m	£m
Supplier rebates and royalties	<b>2.3</b>	2.6
<b>Total</b>	<b>2.3</b>	2.6

At 1 February 2020, the carrying amount of the Company's most significant customer was £0.2 million (2019: £1.0 million).

**C12. TRADE AND OTHER RECEIVABLES (CONTINUED)**

A summary of the Company's exposure to credit risk for trade receivables is as follows:

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	£m	£m	£m	£m
As at 1 February 2020				
Not past due	-	1.6	-	-
Past due 0-30 days	-	0.1	-	-
Past due 30-60 days	-	0.3	-	-
Past due 61-90 days	100.0%	0.2	(0.2)	-
More than 90 days past due	100.0%	0.1	(0.1)	-
<b>Total</b>	<b>13.0%</b>	<b>2.3</b>	<b>(0.3)</b>	<b>-</b>

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	£m	£m	£m	£m
As at 2 February 2019				
Not past due	-	1.8	-	-
Past due 0-30 days	-	0.3	-	-
Past due 30-60 days	-	0.1	-	-
Past due 61-90 days	50.0%	0.4	(0.2)	-
More than 90 days past due	-	-	-	-
<b>Total</b>	<b>7.7%</b>	<b>2.6</b>	<b>(0.2)</b>	<b>-</b>

Movement on this provision is shown below:

	COMPANY
	£m
<b>At 2 February 2019</b>	<b>0.2</b>
Created	0.1
<b>At 1 February 2020</b>	<b>0.3</b>

The Amounts owed by other Group companies is after a provision of £106.6 million (2019: £80.2 million) against the balances outstanding at the end of the period. The other classes within trade and other receivables do not contain impaired assets.

**C13. FINANCIAL INSTRUMENTS****Financial Assets**

The currency profile of cash and cash equivalents is shown below:

	2020	2019
	£m	£m
Bank balances and cash floats	<b>143.8</b>	81.2
Sterling	<b>91.3</b>	24.2
Euros	<b>32.1</b>	24.4
US Dollars	<b>6.0</b>	8.1
Australian Dollars	<b>10.0</b>	18.7
Other	<b>4.4</b>	5.8
	<b>143.8</b>	81.2

**Financial Liabilities**

See Note 19 of the Group accounts for information on the bank facilities. The maturity of the bank loans and overdrafts are as follows:

	2020	2019
	£m	£m
<b>Current liabilities (within one year)</b>		
Bank loans and overdrafts	-	(30.0)



**C13. FINANCIAL INSTRUMENTS (CONTINUED)****Credit Risk**

The Company has provided guarantees on working capital and other banking facilities entered into by Spodis SA (€6.6 million), Next Athleisure Pty Limited (AUS\$15.3 million), and Kukri Sports Limited and Kukri GB Limited (£1.0 million). In addition, the syndicated committed £700 million bank facility, which was in place as at 1 February 2020, encompassed cross guarantees between the Company, Blacks Outdoor Retail Limited, Tessuti Limited, Go Outdoors Limited and The Finish Line, Inc., Focus Brands Limited and Focus International Limited to the extent to which any of these companies were overdrawn. As at 1 February 2020, these facilities were drawn down by £nil (2019: £30.0 million).

**Fair Values**

The fair values together with the carrying amounts shown in the Balance Sheet as at 1 February 2020 are as follows:

	Note	Carrying amount 2020 £m	Fair value 2020 £m
Trade and other debtors	C12	478.8	478.8
Cash and cash equivalents	C13	143.8	143.8
Trade and other creditors - current		(321.6)	(321.6)
Trade and other creditors - non-current		(1.8)	(1.8)
		299.2	299.2
Unrecognised gains		-	-

**Fair Value Hierarchy**

For information on Company balances which are categorised at the same level as for Group, see Note 20. In addition, Investment property held in the Company of £3.0 million (2019: £3.2 million) is categorised as Level 3 within the fair value hierarchy.

**C14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2020 £m	2019 £m
Trade creditors	162.5	126.8
Other creditors and accrued expenses	164.9	166.6
Other tax and social security costs	8.5	6.9
Amounts payable to other Group companies	34.9	45.6
	370.8	345.9

**C15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2020 £m	2019 £m
Other creditors and accrued expenses	5.6	33.4

Included within other creditors and accrued expenses are put option liabilities of £1.8 million (2019: £3.1 million). Put options are held at fair value through profit or loss.

**C16. PROVISIONS**

	Onerous property leases £m
Balance at 2 February 2019	0.5
Reversal of onerous lease provision (IFRS 16)	(0.5)
<b>Balance at 1 February 2020</b>	<b>-</b>

	2020 £m	2019 £m
Current	-	0.3
Non-current	-	0.2
	-	0.5

**C17. DEFERRED TAX ASSETS AND LIABILITIES****Recognised Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £m	Assets 2019 £m	Liabilities 2020 £m	Liabilities 2019 £m	Net 2020 £m	Net 2019 £m
Property, plant and equipment	-	-	(1.2)	(0.6)	(1.2)	(0.6)
Other	2.2	2.3	-	-	2.2	2.3
Tax assets / (liabilities)	2.2	2.3	(1.2)	(0.6)	1.0	1.7

**Movement in Deferred Tax during the Period**

	Property, plant and equipment £m	Other £m	Total £m
Balance at 3 February 2018	0.2	2.0	2.2
Recognised in income	(0.8)	0.3	(0.5)
Balance at 2 February 2019	(0.6)	2.3	1.7
Recognised in income	(0.6)	(0.1)	(0.7)
<b>Balance at 1 February 2020</b>	<b>(1.2)</b>	<b>2.2</b>	<b>1.0</b>

**C18. CAPITAL**

Issued Ordinary Share Capital for both the Company and Group is disclosed in Note 24 of the Group financial statements.

**C19. DIVIDENDS**

After the reporting date the dividends proposed by both Company and Group directors is disclosed in Note 26 of the Group financial statements.

**C20. COMMITMENTS**

As at 1 February 2020, the Company had entered into contracts to purchase property, plant and equipment as follows:

	2020 £m	2019 £m
Contracted	7.4	7.8

**C21. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company made purchases of inventory from Pentland Group Limited in the period and the Company also sold inventory to Pentland Group Limited in the period. During the period, the Company entered into the following transactions with Pentland Group Limited:

	Income from related parties 2020	Expenditure with related parties 2020	Income from related parties 2019	Expenditure with related parties 2019
	£m	£m	£m	£m
Purchase of inventory	-	(23.5)	-	(23.5)
Other income	0.1	-	0.1	-

At the end of the period, the Company had the following balances outstanding with Pentland Group Limited:

	Amounts owed by related parties 2020	Amounts owed to related parties 2020	Amounts owed by related parties 2019	Amounts owed to related parties 2019
	£m	£m	£m	£m
Trade payables	-	(0.1)	-	(0.5)

**Transactions with Related Parties Who Are Members of the Group****Subsidiaries**

In the disclosure below the Company has applied the exemptions available under FRS 101 in respect of transactions with wholly owned subsidiaries.

Loans represent historic intercompany balances and initial investment in subsidiary undertakings to enable them to purchase other businesses. For subsidiaries with a non-controlling interest, these long term loans attract interest at the UK base rate plus an applicable margin.

Other intercompany balances and trade receivables / payables relates to:

- The sale and purchase of stock between the Company and its subsidiaries on arm's length terms; and
- Recharges for administrative overhead and distribution costs.

Other intercompany balances are settled a month in arrears. These balances do not accrue interest. In certain circumstances where the subsidiaries have not repaid these balances, they have been reclassified to long term loans, and therefore accrue interest as applicable.

During the period, the Company entered into the following transactions with subsidiaries not wholly owned:

	Income from related parties 2020	Expenditure with related parties 2020	Income from related parties 2019	Expenditure with related parties 2019
	£m	£m	£m	£m
Sale / (purchase) of inventory	169.1	-	125.7	(1.8)
Interest receivable	0.3	-	2.3	-
Dividend income received	11.6	-	16.0	-
Rental income	0.2	-	0.3	-
Royalty income	3.1	-	0.9	-
Management charge receivable	6.0	-	4.1	-

**C21. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

At the end of the period, the Company had the following balances outstanding with subsidiaries not wholly owned:

	Amounts owed by related parties 2020	Amounts owed to related parties 2020	Amounts owed by related parties 2019	Amounts owed to related parties 2019
	£m	£m	£m	£m
Non-trading loan receivable	22.8	-	28.6	-
Non-trading loan receivable (interest bearing)	96.1	-	67.2	-
Trade receivables	34.4	-	30.7	-
Other intercompany balances	-	(3.4)	1.0	(2.1)
Income tax group relief	2.6	(0.9)	1.6	(1.6)

**C22. CONTINGENT LIABILITIES**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company has provided the following guarantees:

- Guarantee on the working capital facilities and bonds and guarantees in Spodis SA of €6.6 million (2019: €6.6 million)
- Guarantee on the working capital facilities Kukri Sports Limited and Kukri GB Limited of £1.0 million (2019: £1.0 million)
- Guarantee to Kiddicare Properties Limited in relation to the rental commitments on four stores assigned to Blacks Outdoor Retail Limited. The total value of the remaining rental commitments at 1 February 2020 was £2.9 million (2019: £5.3 million)
- Guarantee on loan facility with HSBC in JD Australia of AUD1.1 million (2019: AUDnil)
- Guarantee on overdraft facility with Lloyds for Tiso Limited of £5.7 million (2019: £nil)

**C23. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is Pentland Group Limited (formerly known as "Pentland Group Plc"), a company registered in England and Wales. R S Rubin and his close family are considered the ultimate controlling party by virtue of their control of Pentland Group

Limited (a company registered in Jersey). Consolidated financial statements will be prepared by Pentland Group Limited (a company registered in England and Wales), which is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements for the year ended 31 December 2019. The consolidated financial statements of Pentland Group Limited can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH, England.

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, Pilsworth, Bury, BL9 8RR or online at [www.jdplc.com](http://www.jdplc.com).

**C24. POST BALANCE SHEET EVENTS**

As disclosed in Note 31 in the Group accounts, Administrators were appointed to Go Outdoors Limited on 23 June 2020. Included in the Company's Statement of Financial Position at 1 February 2020 was an Investment of £112.3 million in Go Outdoors Limited and an Intercompany Debtor of £62.2 million. As at 23 June 2020, the Intercompany Debtor was £82.8 million against which the Company received £55.2 million and will record an impairment against the remainder. The directors have yet to quantify the impact on the cost of investment.

Final Results Announced	07 July 2020
Financial Statements Published	07 July 2020
Annual General Meeting	31 July 2020
Interim Results Announced	08 September 2020
Period End (52 Weeks)	30 January 2021
Final Results Announced	13 April 2021

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

	52 weeks to 30 January 2016	52 weeks to 28 January 2017	53 weeks to 3 February 2018	52 weeks to 2 February 2019	52 weeks to 1 February 2020
	£m	£m	£m	£m	£m
<b>Revenue</b>	1,821.7	2,378.7	3,161.4	4,717.8	<b>6,110.8</b>
Cost of sales	(937.5)	(1,215.1)	(1,629.8)	(2,474.5)	<b>(3,236.0)</b>
<b>Gross profit</b>	884.2	1,163.6	1,531.6	2,243.3	<b>2,874.8</b>
Selling and distribution expenses	(648.3)	(813.0)	(1,080.5)	(1,632.9)	<b>(2,020.2)</b>
Administrative expenses - normal	(78.2)	(106.2)	(144.7)	(253.6)	<b>(348.6)</b>
Administrative expenses - exceptional	(25.5)	(6.4)	(12.9)	(15.3)	<b>(90.3)</b>
Administrative expenses	(103.7)	(112.6)	(157.6)	(268.9)	<b>(438.9)</b>
Other operating income	1.2	1.8	2.4	4.7	<b>10.9</b>
<b>Operating profit</b>	133.4	239.8	295.9	346.2	<b>426.6</b>
Before exceptional items	158.9	246.2	308.8	361.5	<b>516.9</b>
Exceptional items	(25.5)	(6.4)	(12.9)	(15.3)	<b>(90.3)</b>
<b>Operating profit before financing</b>	133.4	239.8	295.9	346.2	<b>426.6</b>
Financial income	0.4	0.8	0.6	1.2	<b>1.7</b>
Financial expenses	(2.2)	(2.2)	(2.0)	(7.5)	<b>(79.8)</b>
<b>Profit before tax</b>	131.6	238.4	294.5	339.9	<b>348.5</b>
Income tax expense	(31.0)	(53.8)	(58.1)	(75.7)	<b>(97.8)</b>
<b>Profit for the period</b>	100.6	184.6	236.4	264.2	<b>250.7</b>
Attributable to equity holders of the parent	97.6	178.9	231.9	261.8	<b>246.1</b>
Attributable to non-controlling interest	3.0	5.7	4.5	2.4	<b>4.6</b>
<b>Basic earnings per ordinary share from continuing operations (i)</b>	10.03p	18.38p	23.83p	26.90p	<b>25.29p</b>
<b>Adjusted basic earnings per ordinary share from continuing operations (i) (ii)</b>	12.27p	19.04p	25.15p	28.44p	<b>34.26p</b>
<b>Dividends per ordinary share (i) (iii)</b>	1.48p	1.55p	1.63p	1.71p	<b>0.28p</b>

(i) Basic and adjusted earnings per ordinary share and dividends per ordinary share have been adjusted to reflect the two share splits (see note 26), effective 30 June 2014 and 24 November 2016, as if the event had occurred at the beginning of the earliest period presented.

(ii) Adjusted basic earnings per ordinary share is based on earnings excluding the post-tax effect of certain exceptional items (see note 10).

(iii) Represents dividends declared for the year. Under IFRS dividends are only accrued when approved.

(iv) 52 weeks to 1 February 2020 reflects the application of IFRS16 "Leases" for the first time, the impact is on Operating Profit and Financial Expenses.

The Directors measure the performance of the Group based on a range of financial measures, including measures not recognised by EU-adopted IFRS. These alternative performance measures may not be directly comparable with other companies' alternative performance measures and the Directors do not intend these to be a substitute for, or superior to, IFRS measures. The Directors believe that these alternative performance measures assist in providing additional useful information on the underlying performance of the Group.

Alternative Performance Measures are also used to enhance the comparability of information between reporting periods, by adjusting for exceptional items. Exceptional items are disclosed separately as they are not considered reflective of the year on year trading performance of the Group. 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 may be included as exceptional items are listed in Note 4.

#### ADJUSTED EARNINGS PER ORDINARY SHARE BEFORE EXCEPTIONALS

The calculation of basic earnings per share is detailed in Note 10. Adjusted basic 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. A reconciliation between basic earnings per share and adjusted earnings per share is shown below:

	2020	2019
Basic earnings per share	<b>25.29p</b>	26.90p
Exceptional items excluding loss on disposal of non-current assets	<b>9.27p</b>	1.57p
Tax relating to exceptional items	<b>(0.30)p</b>	(0.03)p
Adjusted earnings per ordinary share	<b>34.26p</b>	28.44p

#### Comparable accounting basis

Restating the performance for the period to 1 February 2020 using the accounting standards which were applicable for the period to 2 February 2019; specifically, the re-calculation of property lease costs under IAS 17 'Leases'.

#### Core

The Group's core Sports Fashion fascia is JD and the Group's core market is the UK and Republic of Ireland.

#### Effective Core Rate of Taxation

A reconciliation between the UK main rate of corporation tax and the effective core rate from continuing activities is as follows:

	2020	2019
	%	%
UK main rate of corporation tax	<b>19.0</b>	19.0
Depreciation and impairment of non-qualifying non-current assets	<b>0.7</b>	0.5
Effect of tax rates in foreign jurisdictions	<b>1.8</b>	1.2
Expenses not deductible and income not taxable	<b>1.8</b>	(0.4)
Recognition of previously unrecognised tax losses/movement in deferred tax assets	<b>(0.5)</b>	(0.1)
Other	<b>2.4</b>	1.3
Effective core rate of taxation	<b>25.2</b>	21.5

## GLOSSARY (TERMS LISTED IN ALPHABETICAL ORDER)

### **EBITDA before exceptional items**

Earnings before interest, tax, depreciation and amortisation.

	2020	2019
	£m	£m
Profit for the period	<b>250.7</b>	264.2
Addback:		
Financial expenses	<b>79.8</b>	7.5
Income tax expense	<b>97.8</b>	75.7
Depreciation, amortisation and impairment of non-current assets	<b>462.9</b>	126.9
Exceptional items	<b>90.3</b>	15.3
Deduct:		
Financial income	<b>(1.7)</b>	(1.2)
EBITDA before exceptional items	<b>979.8</b>	488.4

### **LFL (Like for Like) sales**

The percentage change in the year-on-year sales, removing the impact of new store openings and closures in the current or previous financial year.

### **Like for Like Sports Fashion businesses**

The performance in the Sports Fashion segment excluding acquisitions in the current financial year and the annualisation period of businesses acquired in the previous financial year.

### **Net Cash**

Net cash consists of cash and cash equivalents together with interest-bearing loans and borrowings.

### **Operating Profit Before Exceptional Items**

A reconciliation between operating profit and exceptional items can be found in the Consolidated Income Statement.

### **Profit Before Tax and Exceptional Items**

A reconciliation between profit before tax and profit before tax and exceptional items is as follows:

	2020	2019
	£m	£m
Profit before tax	<b>348.5</b>	339.9
Exceptional items	<b>90.3</b>	15.3
Profit before tax and exceptional items	<b>438.8</b>	355.2



# *jd sports fashion plc*

## ANNUAL REPORT AND ACCOUNTS



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FOOTPATROL

**FINISH LINE**

*Sprinter*

SPORT ZONE



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**scotts**

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