10 September 2019

JD SPORTS FASHION PLC
INTERIM RESULTS
FOR THE TWENTY SIX WEEKS TO 3 AUGUST 2019

JD Sports Fashion Plc (the "Group"), the leading retailer of sports, fashion and outdoor brands, today announces its interim results for the 26 weeks ended 3 August 2019 (comparative figures are shown for the 26 week period ended 4 August 2018).

	Impact of IFRS 16 Transition			
	Proforma IAS 17 £m	Adjustment £m	**2019 IFRS 16 £m**	2018 IAS 17 £m
Revenue	2,721.2	-	**2,721.2**	1,846.3
Gross profit %	46.9%	-	**46.9%**	48.2%
EBITDA*	235.2	167.7	**402.9**	171.8
Depreciation / amortisation	(65.3)	(137.8)	**(203.1)**	(47.9)
Operating profit (before exceptional items)	169.9	29.9	**199.8**	123.9
Net interest expense	(3.7)	(37.5)	**(41.2)**	(2.0)
Profit before tax and exceptional items*	166.2	(7.6)	**158.6**	121.9
Exceptional items	(28.7)	-	**(28.7)**	-
Profit before tax	137.5	(7.6)	**129.9**	121.9
Basic earnings per ordinary share	10.46p	(0.79p)	**9.67p**	10.05p
Adjusted earnings per ordinary share	13.36p	(0.79p)	**12.57p**	10.05p
Interim dividend payable per ordinary share	0.28p	-	**0.28p**	0.27p
Net cash / (debt) at period end (a)	118.1	-	**118.1**	(85.1)

a) Net cash consists of cash and cash equivalents together with interest-bearing loans and borrowings
b) Throughout this release '' indicates first instance of a term defined and explained in the Glossary at the end of these interim results*

Group Highlights

- Group revenue increased by 47% to £2,721.2 million (2018: £1,846.3 million) with strong total like for like sales* growth in global Sports Fashion fascias of 12% including highly encouraging growth of more than 10% in the core* UK and Ireland Sports fascias

- Another record result for the half year with Group EBITDA on a comparable accounting basis increased by 37% to £235.2 million (2018: £171.8 million) and profit before tax and exceptional items on a comparable accounting basis increasing by 36% to £166.2 million (2018: £121.9 million)

- Reported profit before tax increased by 6.6% to £129.9 million (2018: £121.9 million), after net adjustments of £7.6 million following transition to IFRS 16 'Leases' and exceptional items of £28.7 million

- International development of JD continues with:
  a) Net increase of 23 JD stores across mainland Europe
  b) Net increase of seven JD stores in the Asia Pacific region
  c) Six JD stores now trading in the United States with the physical stores now complemented by a trading website

- Encouraging performance from the Finish Line fascia in the United States with operating profit before exceptional items on a comparable accounting basis of £34.7 million (2018: £4.8 million for the seven weeks post acquisition) with like for like sales growth for the proforma 26 week period across the combined Finish Line branded stores and website of 5%

- Key financial information of the two business segments is tabulated below:

Period to 3 August 2019

	Sports Fashion		Outdoor		Unall[2]	Total	
	IFRS 16	IAS 17	IFRS 16	IAS 17		IFRS 16	IAS 17
	£m	£m	£m	£m	£m	£m	£m
Revenue	2,517.1	2,517.1	204.1	204.1	-	2,721.2	2,721.2
Gross profit %	47.4%	47.4%	40.6%	40.6%	-	46.9%	46.9%
EBITDA	398.5	246.7	4.4	(11.5)	-	402.9	235.2
Depreciation	(179.9)	(56.2)	(18.8)	(4.7)	-	(198.7)	(60.9)
Amortisation[1]	(2.4)	(2.4)	(2.0)	(2.0)	-	(4.4)	(4.4)
Operating profit / (loss)	216.2	188.1	(16.4)	(18.2)	-	199.8	169.9
Net interest expense	(33.8)	-	(3.7)	-	(3.7)	(41.2)	(3.7)
Profit/ (loss) before tax and exceptional items	182.4	188.1	(20.1)	(18.2)	(3.7)	158.6	166.2
Exceptional items	(3.6)	(3.6)	(25.1)	(25.1)	-	(28.7)	(28.7)
Profit/ (loss) before tax	178.8	184.5	(45.2)	(43.3)	(3.7)	129.9	137.5

[1] 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.
[2] The Group consider that net funding costs are cross divisional in nature and cannot be allocated between the segments on a meaningful basis.

Period to 4 August 2018

	Sports Fashion	Outdoor	Unall[2]	Total
	IAS 17	IAS 17	IAS 17	IAS 17
	£m	£m	£m	£m
Revenue	1,638.1	208.2	-	1,846.3
Gross profit %	48.9%	43.1%	-	48.2%
EBITDA	168.9	2.9	-	171.8
Depreciation	(39.1)	(4.5)	-	(43.6)
Amortisation[1]	(2.1)	(2.2)	-	(4.3)
Operating profit / (loss)	127.7	(3.8)	-	123.9
Net interest expense	-	-	(2.0)	(2.0)
Profit / (loss) before tax and exceptional items	127.7	(3.8)	(2.0)	121.9
Exceptional items	-	-	-	-
Profit/ (loss) before tax	127.7	(3.8)	(2.0)	121.9

- Result for the 26 weeks ended 3 August 2019 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 4 August 2018, 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 3 August 2019 under IAS 17 'Leases' would have been £166.2 million being £7.6 million higher than that reported under IFRS 16 'Leases'

Peter Cowgill, Executive Chairman, said:

"I am very pleased to report that this has been another period of significant progress for the Group with revenue growing by 47% to £2,721.2 million (2018: £1,846.3 million) and the headline profit before tax and exceptional items increasing by a further 30% to £158.6 million (2018: £121.9 million).

"Against a backdrop of widely reported retail challenges in the UK, it is extremely encouraging that JD has delivered like for like sales growth of more than 10% with an improved conversion reflecting consumers' increasingly positive reaction to our 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. JD also continues to gain momentum in Europe with a further double digit increase in total like for like sales and a net increase of 23 stores in the period.

"We are pleased by the continued positive trends to date in the second half in Sports Fashion whilst recognising the tougher comparatives ahead.

"Notwithstanding the ongoing uncertainty with regards to Brexit, the Board is confident that, without the impact from the transition to IFRS 16, the Group would have been on track to deliver headline profit before tax for the full year at the top end of market expectations which currently range from £402 million to £424 million. However, after adjusting for the impact of the transition to IFRS 16, we would expect to deliver results at the mid-point of expectations. We remain encouraged by our prospects for further growth."

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Executive Chairman's Statement

Introduction

I am very pleased to report that this has been another period of significant progress for the Group with revenue growing by 47% to £2,721.2 million (2018: £1,846.3 million) and the headline profit before tax and exceptional items increasing by a further 30% to £158.6 million (2018: £121.9 million).

The result for the 26 weeks ended 3 August 2019 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 4 August 2018, 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 3 August 2019 under IAS 17 'Leases' would have been £166.2 million being £7.6 million higher than that reported under IFRS 16 'Leases'.

This result includes a contribution of £35.7 million (£34.7 million on a proforma basis under IAS 17 'Leases') from the combined Finish Line and JD business in the United States (2018: £4.8 million for the seven week period post acquisition).

JD (UK and Republic of Ireland)
Against a backdrop of widely reported retail challenges in the UK, it is extremely encouraging that JD has delivered like for like sales growth of more than 10% with an improved conversion reflecting consumers' increasingly positive reaction to our 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. We ensure that the JD proposition 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 also recognise the importance of having flexibility and relevance in our third party brand line up with an increasing number of premium brands attracted to JD's market leading proposition.

We are very aware of the financial benefit that other retailers appear to get when they downsize their estates and, whilst we have no plans to fundamentally alter the size of the JD store network in the UK at this time, we continue to seek fairness and flexibility in the terms of our leases.

JD (International)
The JD fascia has also made further significant progress in its international markets with a net increase of 31 stores in the first half:

- Europe: JD continues to gain momentum with a further double digit increase in total like for like sales and a net increase of 23 stores in the period with new stores in most of our existing territories together with our first JD store in Austria. The new stores in the period included the conversion of six former Chausport stores in France in locations where we believe that the JD proposition is more appropriate to the particular local market. The average size of the new stores opened in the period was 3,900 sqft (2018: 3,200 sqft) with the larger footprint a reflection of our increased confidence of consumers' appetite for the full JD proposition in these markets. JD now has a presence in 11 countries in mainland Europe and we are increasingly confident that JD is developing the same emotional resonance with consumers in Europe as it is in its core UK and Ireland market. We would expect to open a similar number of stores across Europe in the second half. We have also now committed on a flagship store in the centre of Paris on the Rue De Rivoli with fit out commencing in the new year.

- Asia Pacific: There was a net increase of seven stores in the period with additional stores in Malaysia, Australia and Singapore. The relatively slower pace of openings in the period is purely a timing issue, reflecting the availability of property, and we would still expect to open more than 15 stores across the region over the full year. We continue to make learnings in all of our territories which we use to further refine our integrated digital proposition and, with the ongoing support of our key brand partners, we remain confident that further opportunities will prevail to expand the reach of our exciting and dynamic proposition in the region. Subsequent to the period end we disposed of the legacy Glue retail business in Australia which was becoming an increasing distraction. We do not believe that there will be any adverse impact on the development of JD in the country which is now well established with its own identity and operational infrastructure.

- United States: We have now opened our sixth JD store in the United States after the conversion of the former Finish Line store in the Mall of America at Bloomington, Minnesota. These JD stores now have digital support following the launch of a trading website in May. These initial stores were deliberately chosen as we believed they would give us the greatest width of intelligence both geographically and demographically thereby helping us to shape our future strategy. We may convert an additional small number of Finish Line stores to JD in the second half to expand our market knowledge further although this will depend on receiving the necessary local planning consents in time to enable the conversions to be open ahead of the key holiday period. We anticipate further significant developments for JD in 2020 as we begin to open stores organically in the major metropolitan areas with work starting recently on the fit out of a flagship store in Times Square, New York which is currently scheduled to open in Spring 2020. We remain encouraged by the early performance of the apparel ranges which are now becoming increasingly representative of the JD offer.

Other Fascias
Away from JD, there are positive developments to report in our other Sports Fashion businesses:

- Premium brand fashion (UK): We recognise the important role of our premium brand fashion businesses in elevating our offer to consumers and we continue to invest in both the stores and multichannel infrastructure to further enhance the consumer and brand experience. We have also completed a number of small selective complementary acquisitions in this area in the period to expand our geographical presence and provide us with additional brand authority. These include the acquisition of the intellectual property and trading assets relating to the highly regarded Pretty Green brand from its administrator for a total consideration of £1.5 million. This business is now more appropriately scaled with one flagship store in Manchester and a trading website complementing its wholesale operations.

- Gyms (UK): Our Gyms business continues to increase in critical mass with a membership of approximately 120,000 members across 25 gyms. Works are ongoing at a further four sites with openings scheduled later in the year.

- Sprinter & Sport Zone (Iberia): The process to integrate the Sport Zone businesses in Portugal and the Canary Islands into the Sprinter infrastructure is nearing completion. It remains our intention to retain the Sport Zone banner in Portugal although, as with Spain, we are transferring the stores in the Canary Islands to the Sprinter name with this process expected to be complete before the end of the year. We firmly believe that the rapid integration of Sport Zone into the Sprinter infrastructure has left the Sport Zone business well positioned for future positive development.

- Finish Line (United States): We continue to believe that there is an opportunity to deliver a sustained improvement in the performance of the Finish Line business over the longer term with a focus on four key pillars:

    1. Improving sales densities: We have now commenced a trial which is focussed on driving additional sales of apparel in stores through extended ranges. This project, which requires a modest capital investment in stores, is supported by the secondment of a number of key commercial personnel from the core JD business. We are encouraged by the initial performance of these new ranges which are now in more than 20 stores.

    2. Improving product margins: We continue to support the Finish Line management team with a focus on buying disciplines and the intense management of markdown, leveraging from JD's strength and experience in these key commercial areas. We are pleased with the early progress in this area with product margins for the first half 0.5% ahead of the proforma equivalent period in the prior year.

    3. Exiting underperforming stores: We have exited a further 10 Finish Line stores (excluding Mall of America which was transferred to JD) and 29 Macy's concessions in the first half. We would expect a similar number of Finish Line store closures in the second half.

    4. Appropriate scaling of central overheads: We continue to work with the Finish Line management team on various initiatives including incentive schemes which are self-funded through growth in profitability.

Footasylum
In April 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 highly regarded trading website which contributed approximately 30% of sales. This was a compelling acquisition for a number of reasons:

- Footasylum has a complementary product range and customer demographic to the Group's core JD fascia with its casual fashion proposition being more fashion-led and appealing to an older consumer.

- Footasylum offers an attractive and creative range of in-house / own label brands which will bring additional differentiation to the Group's brand portfolio. We believe that there will be opportunities to exploit these new brands internationally by leveraging from JD's extensive international reach.

- Footasylum sells its in-house / own label brands on a wholesale basis and we believe there will be learnings which we can apply in expanding the wholesale business across the wider Group.

The acquisition of Footasylum is currently under review by the Competition and Markets Authority which has issued the Group with an enforcement order which obliges us to operate the Footasylum business separately until they have completed their review. We are complying and assisting fully with this process in order that it can be completed in the most timely and efficient manner.

Outdoor
This has been another challenging period for our Outdoor businesses overall and, whilst we are pleased with the positive trading and improved result in the Blacks and Tiso businesses, these gains have been overshadowed by a significant loss in the larger Go Outdoors business.

The Go Outdoors business has historically worked with a store replenishment model where branded suppliers delivered goods direct to store. We believed that this model resulted in an inflexible supply chain with weak product availability in stores at times of high consumer demand and that the stores would therefore be better served, and the consumer experience enhanced, with a central warehousing model for stock combined with a migration onto the Group’s IT platforms, leveraging from JD’s highly successful replenishment methodologies. We took possession of a 353,000 sqft facility in Middlewich, Cheshire in February with replenishment commencing from this facility, which is operated by a third party, at the end of April. Fulfilment of online orders has also now been transferred to this site.

There were a number of initial challenges arising from the execution of this change which had a significant impact on availability, replenishment to stores and online fulfilment in the key trading period of May and June. We have now resolved many of the issues and are more widely reassured over the longer term potential for Go Outdoors after the business delivered like for like sales growth in July.

We maintain our belief that this new flexible supply chain model, where we have greater control over the replenishment, will bring longer term financial benefits to Go Outdoors. Furthermore, we remain convinced that greater integration of the Outdoor businesses, with Blacks and Go Outdoors having access to one pool of stock with common merchandising systems will also provide the most robust and effective platform for the long term development of our Outdoor businesses. However, we believe it is prudent to allow time for operations in the new facility to further stabilise and so we have delayed the transfer of the Blacks stocks from Kingsway to Middlewich until early 2020.

Kingsway Warehouse Facility
Works to install the additional automation equipment in the 352,000 sqft extension at our primary Kingsway warehouse have now been completed. Commissioning of the site has now commenced and will be done in phases through the Autumn with this process expected to be substantially complete ahead of the peak trading period.

The disruption to operations which we experienced in the second half of the prior year has continued throughout the first half necessitating further frequent changes in operating procedures and additional levels of manual process. We have now been able to start reducing the level of manual working as we bring the site into operational use although, as a contingency, we will retain an element of this additional trained labour through the peak trading period.

Elsewhere, we have now commissioned a new operational section in Kingsway which will offer a more bespoke packing and fulfilment service to the trading websites of our premium fashion businesses. Whilst there is some additional cost associated with this, we believe that it is justified as it further elevates the experience to our premium fashion consumers and brand partners.

Sports Fashion

Sports Fashion has had another exceptional first half with profit before tax and exceptional items increasing by a further 43% to £182.4 million (2018: £127.7 million). On a consistent accounting basis, the proforma headline profit before tax and exceptional items to 3 August 2019 under IAS 17 ‘Leases’ would have been £188.1 million being £5.7 million higher than that reported under IFRS 16 ‘Leases’.

We are delighted with trading in the first half with like for like store sales across our global Sports Fashion fascias (excluding Finish Line) increasing by 9% and total like for like sales, including online, growing by 12%. All regions for the JD fascia delivered significant like for like growth although we are particularly encouraged by the extremely robust performance in our core UK and Ireland market where total like for like sales (including online) grew by more than 10%. This was an excellent performance given the growth over the previous five years.

Elsewhere, JD continues to develop positively in its established European markets with increased investment in marketing helping to drive a further significant double digit increase in total like for like sales. Further afield, the combined JD businesses in the Asia Pacific region delivered total like for like growth of just under 10% although the earlier timing of Chinese New Year relative to last year did impact on the performance of the business in Malaysia in the early part of the period. We also continue to address some challenges on our operational execution in South Korea with our joint venture partners and, whilst these have had an adverse impact on the short term performance in this particular territory, we believe that the learnings will be useful when we are considering opportunities to expand the JD fascia into other geographies in the Asia Pacific region.

The combined Finish Line and JD business in the United States contributed £35.7 million (£34.7 million on a proforma basis under IAS 17 'Leases') in its first full half year as part of the Group (2018: £4.8 million for the seven week period post acquisition). On a proforma basis, compared to the same 26 week period in the prior year, total like for like sales for the Finish Line own stores grew by 3% which was complemented by a further pleasing double digit growth online as the business continues to exploit its clear strength in this area. We are also satisfied with the progression on gross margin for the period to 42.9% (proforma 26 weeks to 3 August 2018: 42.4%) as we start to see the benefits of the work to bring enhanced rigour to the buying and merchandising disciplines. Overall, we remain pleased with our acquisition of this business and are confident that the business, which remains under the joint leadership of the Finish Line CFO and JD's Global Retail Director, has a clear strategy and is well positioned for profitable development.

As anticipated, our overall results in Iberia have been impacted by a further loss in the Sport Zone business of £4.1 million (£3.9 million on a proforma basis under IAS 17 'Leases') (2018: £9.5 million) as we continued with the process to clear excess legacy stocks aggressively ahead of the transfer of operations to Sprinter's facility in Alicante.

The overall gross margin in Sports Fashion reduced to 47.4% (2018: 48.9%) largely from the inclusion of the lower margin Finish Line business for the full period. Whilst a high proportion of exclusivity and newness in the offer of the core JD fascia clearly helps to maintain margins, we fully recognise that the inventory must still be turned regularly. We will continue to drive this by managing the sellthroughs of ranges intensely with promotional activity that is selective, specific and relevant fully utilising the reach provided by our international store estate and portfolio of trading websites.

Outdoor

Our Outdoor businesses have had mixed trading in the first half of the year.

Extremes of weather continue to provide both opportunities and challenges to trading whether they be in the current period or when measured relative to the prior year. In this regard, we anticipated a challenging first quarter with tough comparatives following our exploitation of the favourable trading conditions offered by a more severe winter in the previous year. Ultimately, we exited the first quarter with a composite total like for like sales decline across stores and online of 6% (2018: Q1 total LFL growth +7%).

Trading in the Blacks and Tiso businesses then improved significantly through the second quarter. These businesses operate out of smaller space than Go Outdoors with less reliance on camping to drive footfall and sales in the summer season. Consequently, the cooler and somewhat wetter summer through the UK provided more opportunities for positive trading compared to the hot and dry weather of the prior year with both of these businesses ending the half year period with a total like for like sales growth across stores and online of 3%.

Go Outdoors had a challenging start to the second quarter with a significant double digit decline in total like for like sales in May consequent to the integration issues associated with the transition of fulfilment to the new warehouse at Middlewich. We are confident that the Go Outdoors business has retained the loyalty of its customers through these short term difficulties and that the business still provides people with the proposition and inspiration to make the most of their time outdoors. We are encouraged with the positive performance in July.

On a consistent accounting basis, there was a proforma EBITDA loss of £11.5 million (2018: profit of £2.9 million). However, within this, we are pleased that the smaller Blacks and Tiso businesses have both delivered small improvements in their first half EBITDA.

The overall loss before tax and exceptional items increased to £20.1 million (2018: £3.8 million). On a consistent accounting basis, the proforma headline loss before tax and exceptional items to 3 August 2019 under IAS 17 'Leases' would have been £18.2 million.

In the period, we recognised an exceptional charge of £20.7 million (2018: £nil) in relation to a partial impairment of the goodwill arising in previous years on the acquisition of the Go Outdoors business. We also recognised a charge of £4.4 million (2018: £nil) for costs arising on the integration and consolidation of the principal IT systems, warehousing and other infrastructure in Go Outdoors.

Group Performance

Revenue and Gross Margin

Total revenue increased by 47.4% in the period to £2,721.2 million (2018: £1,846.3 million). This includes £725.2 million of revenue from Finish Line and JD in the United States (2018: £180.0 million for the seven week period post acquisition). Like for like store sales for the period across our global Group fascias, excluding Finish Line but including the more established businesses in Europe, Asia Pacific and Outdoor, increased by 7% with the overall like for like growth for the same fascias, including online, increasing by 10%.

Total gross margin in the period of 46.9% was 1.3% lower than the prior year (2018: 48.2%). This primarily reflects the inclusion of the lower margin Finish Line business for the whole period. There was also a reversal of prior year non-cash fair value gains on forward contracts. Commercially, we maintain our strong focus on minimising discounting in the principal Sports Fashion businesses with an intensely analytical process to reviewing product performance.

Profit Before Tax

Profit before tax and exceptional items increased by 30.1% to £158.6 million (2018: £121.9 million). On a consistent accounting basis, the proforma headline profit before tax and exceptional items to 3 August 2019 under IAS 17 'Leases' would have been £166.2 million.

The profit before tax and exceptional items includes £35.7 million (£34.7 million on a proforma basis under IAS 17 'Leases') in relation to the Finish Line and JD business in the United States in its first full half year as part of the Group (2018: £4.8 million for the seven week period post acquisition).

There were exceptional items in the year of £28.7 million (2018: £nil) primarily from the non-cash impairment of intangible assets arising on the acquisition of Go Outdoors. These exceptional items comprised:

	2019 £m	2018 £m
Non-cash impairment of intangible assets (1)	20.7	-
Movement in fair value of put and call options (2)	3.6	-
Integration and consolidation of Outdoor fascias (3)	4.4	-
Total exceptional charge	**28.7**	**-**

1. The impairment in the current period relates to the partial impairment of the goodwill arising in prior years on the acquisition of Go Outdoors Topco Limited. The carrying value of the remaining goodwill balance is sensitive to further changes in key assumptions.
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.

Group profit before tax ultimately increased by 6.6% to £129.9 million (2018: £121.9 million). On a consistent accounting basis, the Group profit before tax under IAS 17 'Leases' would have been £137.5 million.

Cash and Working Capital

The net cash balance at the end of the period was £118.1 million (2018: net debt of £85.1 million) with the further significant investments on both acquisitions, including Footasylum, and capital expenditure being funded by the ongoing strong cash generation in our core retail fascias.

Net stocks increased by £89.1 million to £913.2 million (2018: £824.1 million). This includes £47.6 million in relation to stocks in businesses acquired since 4 August 2018. The growth in stocks in the like for like businesses is consistent with the growth in sales and we maintain our robust approach to stock management.

Gross capital expenditure (excluding disposal costs) decreased to £69.8 million (2018: £91.4 million) with the decrease reflecting the fact that the significant investment to extend our Kingsway warehouse is nearing completion with spend in the period reducing to £2.8 million (2018: £28.5 million). The primary focus of our capital expenditure remains our retail fascias with a spend in the period of £41.5 million (2018: £44.0 million). This incorporates an increased investment in our international Sports Fashion businesses of £29.7 million (2018: £24.9 million). Away from Kingsway, other investment in infrastructure includes £2.5 million (2018: £2.5 million) at our warehouse in Alicante and £2.5 million (2018: £nil) in relation to the new warehouse for our Outdoor businesses at Middlewich.

We now expect that the capital expenditure for the full year will be in the range of £175 million to £200 million and we will continue to use our cash resources to make selected acquisitions and investments where they benefit our strategic development.

Store Portfolio

During the period, store numbers have moved as follows:

Sports Fashion Fascias

(Store Nos.)	JD UK & ROI	JD Europe	JD AsiaPac	JD US	Size	**JD & Size**	Fash'n UK	Other Europe (i)	Other AsiaPac (ii)	Fin.Lin (own)	Fin.Line (Macy's) (iii)	**Total**
Period start	390	252	46	5	41	**734**	84	438	33	529	349	**2,167**
New stores	6	20	8	-	-	**34**	1	3	-	-	1	**39**
Transfers	(1)	6	-	1	-	**6**	1	(6)	-	(1)	-	**-**
Acquired	-	-	-	-	-	**-**	73	-	-	-	-	**73**
Closures	(1)	(3)	(1)	-	(1)	**(6)**	(5)	(5)	(6)	(10)	(29)	**(61)**
Period end	394	275	53	6	40	**768**	154	430	27	518	321	**2,218**
(000 Sq Ft)												
Period start	1,583	661	201	22	59	**2,526**	250	2,869	156	1,797	311	**7,909**
New stores	27	77	36	-	-	**140**	3	18	-	-	1	**162**
Extensions	3	-	-	-	-	**3**	2	-	-	-	-	**5**
Transfers	(2)	7	-	4	-	**9**	2	(7)	-	(4)	-	**-**
Acquired	-	-	-	-	-	**-**	247	-	-	-	-	**247**
Closures	(1)	(8)	(6)	-	(1)	**(16)**	(8)	(47)	(25)	(31)	(12)	**(139)**
Period end	1,610	737	231	26	58	**2,662**	496	2,833	131	1,762	300	**8,184**

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

There were also 25 JD branded gyms at the period end.

Outdoor Fascias

(Store Nos.)	Blacks	Millets	Ultimate Outdoors	Tiso	Go Outdoors	Go Outdoors Fishing	**Total**
Period start	56	99	6	14	64	14	**253**
New stores	1	3	-	-	2	1	**7**
Closures	-	(1)	-	(1)	-	(6)	**(8)**
Period end	57	101	6	13	66	9	**252**
(000 Sq Ft)							
Period start	198	209	146	96	1,904	79	**2,632**
New stores	4	6	-	-	38	3	**51**
Closures	-	(2)	-	(3)	-	(34)	**(39)**
Period end	202	213	146	93	1,942	48	**2,644**

Dividends and Earnings per Ordinary Share

The Board proposes paying an interim dividend of 0.28p (2018: 0.27p) per ordinary share, an increase of 3.7%. This dividend will be paid on 3 January 2020 to shareholders on the register at 29 November 2019. We continue to believe that it is in the longer term interests of all shareholders to keep dividend growth restrained so as to maximise the available funding for our ongoing growth opportunities.

The basic earnings per ordinary share decreased slightly to 9.67p (2018: 10.05p) largely reflecting the higher participation of profits from the United States, with higher rates of corporate taxation, in the overall Group result.

The adjusted* earnings per ordinary share have increased by 25.1% to 12.57p (2018: 10.05p).

People

On 13 May 2019, Kath Smith joined the Board as an independent Non-Executive Director after having previously been the General Manager / Vice President of The North Face EMEA. With more than 20 years' experience in the sports brand industry, she will assist the Group to enhance its already well-established relationships with leading global brands.

The Group 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. Our increasingly global achievements have their foundations in the successful transfer of the JD DNA into local markets. Whilst I would particularly like to thank the numerous colleagues who have actively sought international secondments to help deliver this, I also acknowledge the invaluable contribution of the wider teams whose flexibility has made these secondments possible and who have ensured that the core business continues to progress.

Given the growth opportunities available to the Group, particularly with respect to our international development, we will continue to look to strengthen our senior management team where appropriate.

Corporate Governance Review

Following the Company's promotion into the FTSE100, the Board considered that it was an appropriate time to carry out a review of various matters which are important to the business and its shareholders from a corporate governance perspective. In addition, in the announcement released following the Company's AGM on 3 July, the Board committed to carrying out a review of its corporate governance practices. The Company has now commenced its engagement with shareholders in relation to this review.

Brexit

We recognise that there is heightened uncertainty surrounding the nature of the UK's exit from the European Union and we are very cognisant of the increased risk of a disorderly exit which could have potential adverse consequences on supply chains, tariffs, exchange rates and consumer demand.

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 for onward fulfilment both to stores and to online customers.

The Group always expected that, for operational purposes, a European warehouse would be required sometime after 2021 with the risks associated with Brexit bringing this decision forward. We are working with our logistics partners to secure an initial 80,000 sqft of space at a facility in Belgium which will provide us with sufficient capacity to process launch product for footwear for the key brands. This facility would be available for use in early 2020.

Current Trading and Outlook

We are pleased by the continued positive trends to date in the second half in Sports Fashion whilst recognising the tougher comparatives ahead.

Notwithstanding the ongoing uncertainty with regards to Brexit, the Board is confident that, without the impact from the transition to IFRS 16, the Group would have been on track to deliver headline profit before tax for the full year at the top end of market expectations which currently range from £402 million to £424 million. However, after adjusting for the impact of the transition to IFRS 16, we would expect to deliver results at the mid-point of expectations. We remain encouraged by our prospects for further growth.

We will next provide an update on trading in early January after our key Christmas trading period.

Peter Cowgill
Executive Chairman
10 September 2019

Condensed Consolidated Income Statement
For the 26 weeks to 3 August 2019

	Note	**26 weeks to 3 August 2019 £m**	26 weeks to 4 August 2018 £m	52 weeks to 2 February 2019 £m
Revenue		**2,721.2**	1,846.3	4,717.8
Cost of sales		**(1,446.1)**	(956.4)	(2,474.5)
Gross profit		**1,275.1**	889.9	2,243.3
Selling and distribution expenses – normal		**(919.1)**	(674.9)	(1,632.9)
Administrative expenses – normal		**(160.8)**	(92.7)	(253.6)
Administrative expenses – exceptional	3	**(28.7)**	-	(15.3)
Other operating income		**4.6**	1.6	4.7
Operating profit		**171.1**	123.9	346.2
Before exceptional items		**199.8**	123.9	361.5
Exceptional items	3	**(28.7)**	-	(15.3)
Operating profit		**171.1**	123.9	346.2
Financial income		**0.4**	0.5	1.2
Financial expenses		**(41.6)**	(2.5)	(7.5)
Profit before tax		**129.9**	121.9	339.9
Income tax expense		**(31.9)**	(26.5)	(75.7)
Profit for the period		**98.0**	95.4	264.2
Attributable to equity holders of the parent		**94.1**	97.8	261.8
Attributable to non-controlling interest		**3.9**	(2.4)	2.4
Basic earnings per ordinary share	4	**9.67p**	10.05p	26.90p
Diluted earnings per ordinary share	4	**9.67p**	10.05p	26.90p

Condensed Consolidated Statement of Comprehensive Income
For the 26 weeks to 3 August 2019

	26 weeks to 3 August 2019 £m	26 weeks to 4 August 2018 £m	52 weeks to 2 February 2019 £m
Profit for the period	**98.0**	95.4	264.2
<u>Other comprehensive income:</u>			
Items that may be classified subsequently to the Consolidated Income Statement:			
Exchange differences on translation of foreign operations	**65.7**	10.8	(0.8)
Total other comprehensive income for the period	**65.7**	10.8	(0.8)
Total comprehensive income and expense for the period (net of income tax)	**163.7**	106.2	263.4
Attributable to equity holders of the parent	**155.5**	106.9	260.0
Attributable to non-controlling interest	**8.2**	(0.7)	3.4

Condensed Consolidated Statement of Financial Position
As at 3 August 2019

	As at 3 August 2019 £m	As at 4 August 2018 £m	As at 2 February 2019 £m
Assets			
Intangible assets	**463.8**	410.8	394.3
Property, plant and equipment	**2,693.2**	497.8	539.8
Other assets	**72.6**	74.9	79.1
Investment in associate	**2.6**	-	0.1
Total non-current assets	**3,232.2**	983.5	1,013.3
Inventories	**913.2**	824.1	763.8
Trade and other receivables	**255.5**	217.3	177.2
Cash and cash equivalents	**346.6**	243.4	251.2
Total current assets	**1,515.3**	1,284.8	1,192.2
Total assets	**4,747.5**	2,268.3	2,205.5
Liabilities			
Interest-bearing loans and borrowings	**(187.5)**	(187.6)	(63.8)
Lease liabilities	**(489.5)**	-	-
Trade and other payables	**(922.3)**	(837.2)	(808.1)
Provisions	**(2.2)**	(1.2)	(1.3)
Income tax liabilities	**(18.7)**	(30.1)	(27.3)
Total current liabilities	**(1,620.2)**	(1,056.1)	(900.5)
Interest-bearing loans and borrowings	**(41.0)**	(140.9)	(62.2)
Lease liabilities	**(1,747.9)**	-	-
Other payables	**(93.9)**	(139.7)	(153.8)
Provisions	**(1.0)**	(1.9)	(1.2)
Deferred tax liabilities	**(16.2)**	(10.8)	(11.0)
Total non-current liabilities	**(1,900.0)**	(293.3)	(228.2)
Total liabilities	**(3,520.2)**	(1,349.4)	(1,128.7)
Total assets less total liabilities	**1,227.3**	918.9	1,076.8
Capital and reserves			
Issued ordinary share capital	**2.4**	2.4	2.4
Share premium	**11.7**	11.7	11.7
Retained earnings	**1,096.4**	855.4	1,016.3
Other reserves	**39.2**	(8.4)	(21.6)
Total equity attributable to equity holders of the parent	**1,149.7**	861.1	1,008.8
Non-controlling interest	**77.6**	57.8	68.0
Total equity	**1,227.3**	918.9	1,076.8

Condensed Consolidated Statement of Changes in Equity
For the 26 weeks to 3 August 2019

	Ordinary Share Capital £m	Share Premium £m	Retained Earnings £m	Other Equity £m	Foreign Currency Translation Reserve £m	Total Equity Attributable To Equity Holders Of The Parent £m
Balance at 2 February 2019	2.4	11.7	1,016.3	(36.3)	14.7	1,008.8
Profit for the period	-	-	94.1	-	-	94.1
<u>Other comprehensive income:</u>						
Exchange differences on translation of foreign operations	-	-	-	-	61.4	61.4
Total other comprehensive income	-	-	-	-	61.4	61.4
Total comprehensive income for the period	-	-	94.1	-	61.4	155.5
Dividends to equity holders	-	-	(14.0)	-	-	(14.0)
Acquisition of non-controlling interest	-	-	-	(0.6)	-	(0.6)
Non-controlling interest arising on acquisition	-	-	-	-	-	-
Balance at 3 August 2019	**2.4**	**11.7**	**1,096.4**	**(36.9)**	**76.1**	**1,149.7**

	Total Equity Attributable To Equity Holders Of The Parent £m	Non-Controlling Interest £m	Total Equity £m
Balance at 2 February 2019	1,008.8	68.0	1,076.8
Profit for the period	94.1	3.9	98.0
<u>Other comprehensive income:</u>			
Exchange differences on translation of foreign operations	61.4	4.3	65.7
Total other comprehensive income	61.4	4.3	65.7
Total comprehensive income for the period	155.5	8.2	163.7
Dividends to equity holders	(14.0)	-	(14.0)
Acquisition of non-controlling interest	(0.6)	-	(0.6)
Non-controlling interest arising on acquisition	-	1.4	1.4
Balance at 3 August 2019	**1,149.7**	**77.6**	**1,227.3**

Condensed Consolidated Statement of Changes in Equity (continued)
For the 26 weeks to 4 August 2018

	Ordinary Share Capital £m	Share Premium £m	Retained Earnings £m	Other Equity £m	Foreign Currency Translation Reserve £m	Total Equity Attributable To Equity Holders Of The Parent £m
Balance at 3 February 2018	2.4	11.7	773.6	(33.8)	16.5	770.4
Profit for the period	-	-	97.8	-	-	97.8
<u>Other comprehensive income:</u>						
Exchange differences on translation of foreign operations	-	-	-	-	9.1	9.1
Total other comprehensive income	-	-	-	-	9.1	9.1
Total comprehensive income for the period	-	-	97.8	-	9.1	106.9
Dividends to equity holders	-	-	(13.3)	-	-	(13.3)
Acquisition of non-controlling interest	-	-	(2.7)	-	-	(2.7)
Non-controlling interest arising on acquisition	-	-	-	(0.2)	-	(0.2)
Balance at 4 August 2018	**2.4**	**11.7**	**855.4**	**(34.0)**	**25.6**	**861.1**

	Total Equity Attributable To Equity Holders Of The Parent £m	Non-Controlling Interest £m	Total Equity £m
Balance at 3 February 2018	770.4	63.9	834.3
Profit for the period	97.8	(2.4)	95.4
<u>Other comprehensive income:</u>			
Exchange differences on translation of foreign operations	9.1	1.7	10.8
Total other comprehensive income	9.1	1.7	10.8
Total comprehensive income for the period	106.9	(0.7)	106.2
Dividends to equity holders	(13.3)	(0.1)	(13.4)
Acquisition of non-controlling interest	(2.7)	(5.2)	(7.9)
Non-controlling interest arising on acquisition	(0.2)	(0.1)	(0.3)
Balance at 4 August 2018	**861.1**	**57.8**	**918.9**

Condensed Consolidated Statement of Cash Flows
For the 26 weeks ended 3 August 2019

	26 weeks to 3 August 2019 £m	26 weeks to 4 August 2018 £m	52 weeks to 2 February 2019 £m
Cash flows from operating activities			
Profit for the period	**98.0**	95.4	264.2
Income tax expense	**31.9**	26.5	75.7
Financial expenses	**41.6**	2.5	7.5
Financial income	**(0.4)**	(0.5)	(1.2)
Depreciation and amortisation of non-current assets	**203.1**	47.9	115.0
Forex losses / (gains) on monetary assets and liabilities	**6.8**	(0.5)	2.5
Impairment of other intangibles and non-current assets	**0.2**	0.3	11.9
Loss on disposal of non-current assets	**2.2**	1.0	2.0
Other exceptional items	**8.0**	-	7.2
Impairment of goodwill and fascia names	**20.7**	-	8.1
Increase in inventories	**(59.1)**	(78.1)	(26.2)
Increase in trade and other receivables	**(53.5)**	(26.3)	(22.5)
Increase in trade and other payables	**100.8**	37.2	21.2
Interest paid	**(41.6)**	(2.5)	(7.5)
Income taxes paid	**(39.4)**	(27.3)	(80.3)
Net cash from operating activities	**319.3**	75.6	377.6
Cash flows from investing activities			
Interest received	**0.4**	0.5	1.2
Proceeds from sale of non-current assets	**1.9**	0.2	1.0
Investment in software development	**(7.0)**	(5.1)	(12.3)
Acquisition of property, plant and equipment	**(58.3)**	(84.6)	(173.6)
Acquisition of non-current other assets	**(4.5)**	(1.7)	(5.1)
Acquisition of subsidiaries, net of cash acquired	**(89.3)**	(380.0)	(362.0)
Net cash used in investing activities	**(156.8)**	(470.7)	(550.8)
Cash flows from financing activities			
Drawdown of interest-bearing loans and borrowings	**72.7**	284.8	82.1
Subsidiary shares issued in the period	**-**	-	6.4
Repayment of lease liabilities	**(160.6)**	(0.7)	(1.5)
Drawdown of finance lease liabilities	**-**	5.1	5.8
Equity dividends paid	**-**	-	(15.9)
Dividends paid to non-controlling interest in subsidiaries	**-**	(0.1)	(0.7)
Net cash (used in) / provided by financing activities	**(87.9)**	289.1	76.2
Net increase / (decrease) in cash and cash equivalents	**74.6**	(106.0)	(97.0)
Cash and cash equivalents at the beginning of the period	**237.7**	334.6	334.6
Foreign exchange gains on cash and cash equivalents	**11.2**	1.2	0.1
Cash and cash equivalents at the end of the period	**323.5**	229.8	237.7

Analysis of Net Cash

As at 3 August 2019

	At 2 February 2019 £m	On acquisition of subsidiaries £m	Cashflow £m	Non-cash movements £m	**At 3 August 2019 £m**
Cash at bank and in hand	251.2	7.8	76.4	11.2	**346.6**
Overdrafts	(13.5)	-	(9.6)	-	**(23.1)**
Cash and cash equivalents	**237.7**	**7.8**	**66.8**	**11.2**	**323.5**
Interest bearing loans and borrowings:					
Bank loans	(74.4)	(15.7)	24.1	(3.5)	**(69.5)**
Syndicated bank facility	(30.0)	-	(95.0)	-	**(125.0)**
Finance lease liabilities	(8.1)	-	(1.0)	-	**(9.1)**
Other loans	-	-	(1.8)	-	**(1.8)**
	125.2	**(7.9)**	**(6.9)**	**7.7**	**118.1**

1. Basis of Preparation

JD Sports Fashion Plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The half year financial report for the 26 week period to 3 August 2019 represents that of the Company and its subsidiaries (together referred to as the 'Group').

This half year financial report is an interim management report as required by DTR 4.2.3 of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority and was authorised for issue by the Board of Directors on 10 September 2019.

The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. The annual financial statements of the Group are prepared in accordance with IFRS's as adopted by the EU. The comparative figures for the 52 week period to 2 February 2019 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's Auditor and delivered to the Registrar of Companies. The Report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

The information contained in the half year financial report for the 26 week period to 3 August 2019 and 4 August 2018 has been reviewed and the independent review report for the 26 week period to 3 August 2019 is set out in the half yearly financial report.

As required by the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, the half year financial report has been prepared by applying the same accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the 52 week period to 2 February 2019.

Adoption of New and Revised Standards
The Group continues to monitor the potential impact of other new standards and interpretations which have been or may be endorsed and require adoption by the Group in future reporting periods.

IFRS 16

IFRS 16 'Leases' is effective for all accounting periods beginning on or after 1 January 2019. The adoption of IFRS 16 means that lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables. The right-of-use asset will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 results in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

On a cash flow basis, the impact of transition to IFRS 16 is £nil and adoption of the standard will have no impact on the commercial operations of the business.

Transition:

As previously disclosed, the Group has adopted the modified retrospective transition approach, where the initial asset values will be equal to the present value of the future lease payments as at the date of transition.

The Group has also applied the following practical expedients:

- To grandfather the definition of a lease on transition
- To rely on a previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review
- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has also applied the recognition exemption for short term leases and leases of low-value items.

Impact on the financial statements:

On transition the opening balances for the Consolidated Statement of Financial Position has been adjusted for the right-of use asset of approximately £2.0 billion, with corresponding lease liabilities of approximately £2.0 billion. As a result of applying IFRS 16 for the 26 weeks to 3 August 2019, in relation to the leases initially classified as operating leases, the Group has recognised £2.1 billion of right-of-use asset and £2.2 billion of lease liabilities.

1. Basis of Preparation (continued)

The most significant lease liabilities relate to property.

The impact on the Consolidated Income Statement reflects an increase to operating profit of approximately £29.9 million as the pre-IFRS 16 rental charge is replaced by a lower depreciation charge. Profit before tax decreased by £7.6 million as a result of an increase in the interest charge of £37.5 million. We do not expect the adoption of IFRS 16 to have a material impact on the Group’s effective tax rate.

There is no impact on cash flows, although the presentation of the Cash Flow Statement has changed significantly, with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities (interest paid).

Other
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.

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 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 period. Further information can be found in the Glossary at the end of these Interim results. Terms are listed in alphabetical order.

Use of estimates and judgements
The preparation of interim financial statements 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.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the 52 week period to 2 February 2019 with the exception of the provisional fair value adjustments to the acquisition of Footasylum Plc which includes significant estimates that may be refined in the second half of the financial period.

A formal ‘Hold Separate’ order was received by the Company from the UK Competition and Markets Authority (‘CMA’) on 17 May 2019 which requires that during the period of the CMA review the Footasylum business must continue to be managed independently of the Group. Ultimately, should the Company agree on remedies with the CMA which require stores to be disposed then there may be a financial impact of these store exit costs. At the date of announcement, the outcome of the review is unknown and consequently no liability has been recognised within these condensed consolidated interim financial statements.

Risks and uncertainties
The Board has considered the risks and uncertainties for the remaining 26 week period to 1 February 2020 and determined that the risks presented in the Annual Report and Accounts 2019, noted below, remain relevant:

- Key suppliers and brands
- Protection of intellectual property
- Retail property factors
- Seasonality of sales
- Economic factors
- Reliance on non-UK manufacturers
- Brexit
- Reliance on IT systems
- Cyber security
- Reliance on a consolidated warehouse
- Retention of key personnel
- Health and safety
- Foreign exchange risk
- Regulatory and compliance

1. Basis of Preparation (continued)

- GDPR

A major variable, and therefore risk, to the Group's financial performance for the remainder of the financial period is the sales and margin performance in the retail fascias, particularly in December and January. Further comment on this and other risks and uncertainties faced by the Group is provided in the Executive Chairman's statement included within this half year report.

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

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 focused on the nature of the businesses within the Group.

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. Drawdowns from the Group's syndicated borrowing facility of £125.0 million (2018: £150.0 million) and liabilities for taxation of £34.9 million (2018: £40.9 million) are included within the unallocated segment.

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)

Operating Segments

Information regarding the Group's operating segments for the 26 weeks to 3 August 2019 is reported below:

Income statement

	Sports Fashion £m	Outdoor £m	Unallocated £m	Total £m
Gross revenue	2,517.1	204.1	-	2,721.2
Intersegment revenue	-	-	-	-
Revenue	**2,517.1**	**204.1**	-	**2,721.2**
Operating profit / (loss) before exceptional items	216.2	(16.4)	-	199.8
Exceptional items	(3.6)	(25.1)	-	(28.7)
Operating profit / (loss)	212.6	(41.5)	-	171.1
Financial income	-	-	0.4	0.4
Financial expenses	(33.8)	(3.7)	(4.1)	(41.6)
Profit before tax	178.8	(45.2)	(3.7)	129.9
Income tax expense				(31.9)
Profit for the period				98.0

Total assets and liabilities

	Sports Fashion £m	Outdoor £m	Unallocated £m	Eliminations £m	**Total £m**
Total assets	4,407.6	493.5	-	(153.6)	**4,747.5**
Total liabilities	(3,058.8)	(455.1)	(159.9)	153.6	**(3,520.2)**
Total segment net assets / (liabilities)	**1,348.8**	**38.4**	**(159.9)**	**-**	**1,227.3**

3. Segmental Analysis (continued)

The comparative segmental results for the 26 weeks to 4 August 2018 are as follows:

Income statement

	Sports Fashion £m	Outdoor £m	Unallocated £m	**Total £m**
Gross revenue	1,638.1	208.2	-	**1,846.3**
Intersegment revenue	-	-	-	**-**
Revenue	**1,638.1**	**208.2**	-	**1,846.3**
Operating profit / (loss) before exceptional items	127.7	(3.8)	-	**123.9**
Exceptional items	-	-	-	**-**
Operating profit / (loss)	127.7	(3.8)	-	**123.9**
Financial income	-	-	0.5	**0.5**
Financial expenses	-	-	(2.5)	**(2.5)**
Profit before tax	127.7	(3.8)	(2.0)	**121.9**
Income tax expense				**(26.5)**
Profit for the period				**95.4**

Total assets and liabilities

	Sports Fashion £m	Outdoor £m	Unallocated £m	Eliminations £m	**Total £m**
Total assets	2,086.8	273.8	-	(92.3)	**2,268.3**
Total liabilities	(1,062.6)	(188.2)	(190.9)	92.3	**(1,349.4)**
Total segment net assets / (liabilities)	**1,024.2**	**85.6**	**(190.9)**	**-**	**918.9**

4. Segmental Analysis (continued)

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:

	26 weeks to 3 August 2019 £m	26 weeks to 4 August 2018 £m
UK	**1,120.7**	958.1
Europe	**727.0**	601.9
United States	**730.3**	180.0
Rest of world	**143.2**	106.3
	2,721.2	1,846.3

The revenue from any individual country, with the exception of the UK and the US, is not more than 10% of the Group's total revenue.

The following is an analysis of the carrying amount of segmental non-current assets by the geographical area in which the assets are located:

	As at 3 August 2019 £m	As at 4 August 2018 £m
UK	**1,328.2**	369.0
Europe	**1,213.5**	316.0
United States	**558.0**	261.8
Rest of world	**132.5**	36.7
	3,232.2	983.5

3. Exceptional Items

	26 weeks to 3 August 2019 £m	26 weeks to 4 August 2018 £m	52 weeks to 2 February 2019 £m
Impairment of goodwill, brands and fascia names (1)	**20.7**	-	8.1
Movement in fair value of put and call options (2)	**3.6**	-	5.6
Integration and consolidation of Outdoor fascias (3)	**4.4**	-	1.6
Administrative expenses – exceptional	**28.7**	-	15.3
Total exceptional items	**28.7**	-	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. The carrying value of the remaining goodwill balance is sensitive to further changes in key assumptions.
(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.

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.

4. Earnings per Ordinary Share

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 3 August 2019 is based on the profit for the period attributable to equity holders of the parent of £94.1 million (26 weeks to 4 August 2018: £97.8 million; 52 weeks to 2 February 2019: £261.8 million).

The weighted average number of ordinary shares outstanding during the 26 weeks to 3 August 2019 was 973,233,160 (26 weeks to 4 August 2018: 973,233,160; 52 weeks to 2 February 2019: 973,233,160), calculated as follows:

	26 weeks to 3 August 2019	26 weeks to 4 August 2018	52 weeks to 2 February 2019
Issued ordinary shares at beginning and end of period	**973,233,160**	973,233,160	973,233,160

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 meaningful measure of the underlying performance of the Group.

	26 weeks to 3 August 2019 £m	26 weeks to 4 August 2018 £m	52 weeks to 2 February 2019 £m
Profit for the period attributable to equity holders of the parent	**94.1**	97.8	261.8
Exceptional items excluding loss on disposal of non-current assets	**28.7**	-	15.3
Tax relating to exceptional items	**(0.5)**	-	(0.3)
Profit for the period attributable to equity holders of the parent excluding exceptional items	**122.3**	97.8	276.8
Basic and diluted earnings per ordinary share	**9.67p**	10.05p	26.90p
Adjusted basic and diluted earnings per ordinary share	**12.57p**	10.05p	28.44p

5. Acquisitions

Current period acquisitions

Footasylum Plc

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 is expected to be converted from an unlisted Plc to a private company by 13 September 2019.

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.

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.

The Board believes that Footasylum is a well-established business with a strong reputation for lifestyle fashion and, with its offering targeted at a slightly older consumer to JD's existing offering, it is complementary to JD. The Board also believes that there will be significant operational and strategic benefits from a combination of the two businesses.

	Book value £m	Measurement adjustments £m	**Fair value at 3 August 2019 £m**
Acquiree's net assets at acquisition date:			
Intangible assets	-	37.3	**37.3**
Property, plant & equipment	29.1	(3.5)	**25.6**
Right of use assets	100.4	-	**100.4**
Inventories	39.6	-	**39.6**
Cash and cash equivalents	5.7	-	**5.7**
Trade and other receivables	19.4	-	**19.4**
Deferred tax assets / (liabilities)	0.2	(6.3)	**(6.1)**
Trade and other payables – current	(42.0)	-	**(42.0)**
Trade and other payables – non-current	(0.2)	-	**(0.2)**
Lease liabilities	(107.5)	-	**(107.5)**
Interest bearing loans and borrowings	(13.5)	-	**(13.5)**
Net identifiable assets	31.2	27.5	**58.7**
Goodwill on acquisition			**27.3**
Consideration paid – satisfied in cash			**86.0**

Included in the 26 week period ended 3 August 2019 is revenue of £58.7 million and a loss before tax of £0.7 million in respect of Footasylum.

5. Acquisitions (continued)

Current period acquisitions (continued)

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 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.

Included in the 26 week period ended 3 August 2019 is revenue of £1.8 million and a profit before tax of £0.2 million in respect of Rascal Clothing Limited.

Pretty Green Limited
On 4 April 2019, the Group acquired, via its 100% subsidiary PG2019 Limited, the business and certain assets of Pretty Green Limited (in administration), the boutique men's clothing brand, from its administrator. The acquisition included the business, brand and website 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 26 week period ended 3 August 2019 is revenue of £4.3 million and a profit before tax of £0.1 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 26 week period ended 3 August 2019 is revenue of £1.7 million and a profit before tax of £0.1 million in respect of Giulio Fashion Limited.

Other acquisitions
During the period, the Group made several small acquisitions, these transactions were not material.

5. Acquisitions (continued)

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 was an intangible asset of £70.6 million, representing the Finish Line fascia name. The Board believes 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 period in which measurement adjustments could be made has now closed on this acquisition and the final goodwill calculation is summarised below:

	Book value £m	Measurement adjustments £m	**Fair value at 3 August 2019 £m**
Acquiree's net assets at acquisition date:			
Intangible assets	16.9	70.6	**87.5**
Property, plant & equipment	76.5	4.9	**81.4**
Inventories	261.6	(5.8)	**255.8**
Cash and cash equivalents	50.9	-	**50.9**
Trade and other receivables	38.6	-	**38.6**
Income tax liabilities	(1.5)	-	**(1.5)**
Deferred tax assets / (liabilities)	7.0	(11.5)	**(4.5)**
Trade and other payables – current	(135.9)	(16.8)	**(152.7)**
Trade and other payables – non-current	(40.2)	(13.3)	**(53.5)**
Net identifiable assets	273.9	28.1	**302.0**
Goodwill on acquisition			**98.5**
Consideration paid – satisfied in cash			**400.5**

No measurement adjustments have been made to the fair values in the 26 week period ended 3 August 2019.

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 provisional fair value of the net identifiable assets on acquisition was an intangible asset of £1.5 million, representing the Choice fascia name. The Board believes that the excess of consideration paid over the net identifiable assets on acquisition of £3.0 million was best considered as goodwill representing future operating synergies.

No measurement adjustments have been made to the fair values in the 26 week period ended 3 August 2019.

Other Acquisitions
During the previous period, the Group made several small acquisitions. These transactions were not material.

6. IFRS 16 Leases

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use asset, and additional lease liabilities, recognising any differences in retained earnings. The impact on transition is summarised below (not including adjustment for deferred income).

	3 February 2019 £m
Right-of-use asset presented in property, plant and equipment	**1,991.2**
Lease liabilities	**1,991.2**
Retained earnings impact	**-**

Impacts for the period

	Balance at 3 August 2019 £m	Balance at 3 February 2019 £m
Property	**2,104.7**	1,874.7
Vehicles	**3.0**	3.8
Total right-of-use asset	**2,107.7**	1,878.5

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). 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.

	Balance at 3 August 2019 £m
Current	**489.5**
Non-current	**1,747.9**
Total lease liabilities	**2,237.4**

7. Half Year Report

As indicated in the 2012 Notice of Annual General Meeting, in line with many other listed companies the company will no longer be issuing a hard copy of the half year report. Instead, the Group has decided to make the half year report available via the Company's website.

Accordingly the half year report will be available for downloading from www.jdplc.com from mid October 2019. Paper based copies will be available on application to the Company Secretary, JD Sports Fashion Plc, Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR.

Disclaimer

This announcement contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of JD Sports Fashion plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Glossary (terms are listed in alphabetical order)

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, which could distort the understanding of the performance for the year. Terms are listed in alphabetical order.

Adjusted earnings per share
The calculation of basic and diluted earnings per share is detailed in Note 4. 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. A reconciliation between basic earnings per share and adjusted earnings per share is shown below:

	26 weeks to 3 August 2019	26 weeks to 4 August 2018	52 weeks to 2 February 2019
Basic earnings per share	**9.67p**	10.05p	26.90p
Exceptional items excluding loss on disposal of non-current assets	**2.95p**	-	1.57p
Tax relating to exceptional items	**(0.05p)**	-	(0.03p)
Adjusted earnings per share	**12.57p**	10.05p	28.44p

Core
The Group’s core Sports Fashion fascia is JD and the Group’s core market is the UK and Republic of Ireland.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

	26 weeks to 3 August 2019 £m	26 weeks to 4 August 2018 £m	52 weeks to 2 February 2019 £m
Profit for the period	**98.0**	**95.4**	264.2
Addback:			
Financial expenses	**41.6**	**2.5**	7.5
Income tax expense	**31.9**	**26.5**	75.7
Depreciation, amortisation and impairment of non-current assets	**203.1**	**47.9**	126.9
Exceptional items	**28.7**	**-**	15.3
Deduct:			
Financial income	**(0.4)**	**(0.5)**	(1.2)
EBITDA	**402.9**	**171.8**	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.

Operating profit before exceptional items
A reconciliation between operating profit and exceptional items can be found in the Condensed Consolidated Income Statement.

Glossary (terms are listed in alphabetical order)

Profit before tax and exceptional items (Headline profit)
A reconciliation between profit before tax and profit before tax and exceptional items is as follows:

	26 weeks to 3 August 2019 £m	26 weeks to 4 August 2018 £m	52 weeks to 2 February 2019 £m
Profit before tax	**129.9**	121.9	339.9
Exceptional items	**28.7**	-	15.3
Profit before tax and exceptional items	**158.6**	121.9	355.2