

## Regulatory Announcement

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**Company** JJB Sports PLC  
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### JJB Sports PLC

#### Statement re Disposal of Fitness Clubs Business, Financing Arrangements and Proposed Company Voluntary Arrangement

JJB Sports PLC ("JJB" or the "Company"), one of the UK's leading high street sports retailers, today announces a series of measures intended to address the Group's current financial difficulties and to create a stable financial platform for the revitalisation of its core sports retail business.

#### Highlights

- Disposal of the Fitness Clubs business (including the fitness clubs and attached retail stores, the Cardiff MiFit fitness club and retail store and certain committed fitness club sites) (the "Fitness Business") and related stock to Dave Whelan Sports Limited, a company controlled by Mr David Whelan, for an approximate total cash consideration of £83.4 million (the "Disposal").
- Waiver granted by the United Kingdom Listing Authority (the "UKLA") under Listing Rule 10.8, available only for companies in severe financial difficulty, in respect of the requirement to issue a circular and obtain shareholder approval for the Disposal.
- Proceeds of the Disposal will initially reduce the Company's borrowings under its working capital facilities, but will ultimately be used to fund the Company's short term working capital requirements.

- All March quarterly rents will be paid in full, following which the Company will propose a company voluntary arrangement ("CVA") to compromise claims of landlords of approximately 140 closed retail stores and temporarily vary the terms of the leases of approximately 250 open retail stores to permit monthly rent payments (the "CVA Proposal").
- Further extension of the standstill arrangements with the Company's existing lenders, Barclays, Lloyds (formerly HBOS) and Kaupthing Singer & Friedlander Limited (in administration) (the "Lenders") until the CVA Proposal has been approved and become effective, conditional, inter alia, upon receipt of deferred consideration from Dave Whelan Sports Limited in accordance with the terms of the transaction documentation and on the Lenders remaining satisfied with the progress of the CVA Proposal and the trading performance of the Company.
- Conditional upon the CVA Proposal being approved and becoming effective, proposed new funding arrangements through a short term £25 million term loan with Barclays and a medium term £25 million working capital facility with Lloyds, together with a possible issue of warrants to Lloyds in connection with their continuing support of the business.
- Board changes including the dismissal of Christopher Ronnie, former Chief Executive, announcement of intention to resign by David Madeley, Finance Director and appointment of Richard Manning as Legal Director and Company Secretary.
- "Serious about Sport" strategy under the leadership of Sir David Jones to revitalise the Continuing Group's core retail business and reposition it in the market place.

Commenting on the Disposal, the proposed CVA and proposed new funding arrangements, Sir David Jones, Executive Chairman, said:

*"In announcing our series of measures today, we have taken the first step in securing JJB's long term future after months of speculation.*

*We have worked very hard with our advisers and lending banks to propose a robust, solvent restructuring of the Group that we believe is in the best interests of all of our stakeholders.*

*In addition to the continued support of our lending banks, our proposals require the approval of our unsecured creditors and our shareholders. Their support of our CVA proposal will ultimately allow us to focus on realising the full potential of the Company's core sports retail business."*

This summary should be read in conjunction with the full text of this announcement.

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This announcement has been issued by, and is the sole responsibility of, the Company.

Lazard & Co., Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and for no one else in connection with the Disposal and the CVA Proposal and will not be responsible to any person other than the Company for providing the protections afforded to customers of Lazard & Co., Limited or for providing advice in relation to the matters described in this announcement.

## **JJB Sports PLC**

### **Statement re Disposal of Fitness Clubs Business, Financing Arrangements and Proposed Company Voluntary Arrangement**

#### **1. Introduction**

JJB Sports PLC ("JJB" or the "Company"), one of the UK's leading high street sports retailers, today announces a series of measures intended to address the Group's current financial difficulties and to create a stable financial platform for the revitalisation of its core sports retail business.

The measures announced today include:

- the £83.4 million disposal of the Fitness Clubs business (including the fitness clubs and attached retail stores, the Cardiff MiFit fitness club and retail store and certain committed fitness club sites) (the "Fitness Business") and related stock to Dave Whelan Sports Limited (the "Purchaser"), a company controlled by Mr David Whelan;
- a proposed company voluntary arrangement ("CVA") to compromise claims of landlords of approximately 140 closed retail stores and temporarily vary the terms of the leases of the open retail stores, which number approximately 250, to permit monthly rent payments (the "CVA Proposal");

- a further extension to the standstill arrangements with Barclays, Lloyds (formerly HBOS) and Kaupthing Singer & Friedlander Limited (in administration) (the "Lenders") until the CVA Proposal has been approved and become effective (subject to certain earlier termination events); and
- conditional upon the CVA Proposal being approved and becoming effective, proposed new funding arrangements through a short term £25 million term loan with Barclays and a medium term £25 million working capital facility with Lloyds, together with a possible issue of warrants to Lloyds in connection with their continuing support for the business.

## **2. Disposal of the Fitness Clubs business**

On 10 December 2008, the Board of JJB announced that it had received a number of enquiries in relation to the Company's Fitness Clubs business. The Company appointed Lazard & Co., Limited ("Lazard") to conduct an auction process in relation to the Fitness Clubs business.

On 10 February 2009, the Company confirmed that it had received a number of non-binding indications of interests for some or all of the Fitness Business. On 9 March 2009, the Company confirmed that it had received a number of second round offers from interested parties. The Company has now entered into a definitive agreement with, and simultaneously completed the sale of the Fitness Business and related stock to, the Purchaser.

Given the current financial position of JJB, the UKLA granted a waiver, available only for companies in severe financial difficulty, under Listing Rule 10.8 in respect of the requirement to issue a circular and obtain shareholder approval for this Disposal which would have otherwise been required pursuant to Listing Rule 10.5.

The estimated total consideration payable by the Purchaser for the Fitness Business and related stock is approximately £83.4 million. This comprises approximately £40 million of initial consideration, subject to completion adjustments, to be paid to the Company today, approximately £33.9 million of deferred consideration to be paid into an escrow account on 16 April 2009 and approximately £9.5 million of consideration for the stock in the Fitness Business as at completion to be paid on 1 May 2009.

The deferred consideration of approximately £33.9 million will, after deduction of certain costs, expenses and other agreed amounts, be released to the Company from the escrow account as and when landlord's consent is obtained to the assignment of the relevant leasehold properties. Payments will not be made from the escrow account until an agreed number of leases have been assigned. The Directors expect the process of assignment of all of the leases to be completed over the next six months.

In connection with the Disposal, the parties have agreed to a number of customary restrictions to protect their respective interests. Subject to certain exceptions, the Company has agreed not to own or operate a fitness club in the United Kingdom for a period of 36 months from completion. Subject to certain exceptions, the Company and the Purchaser have each agreed not to solicit each other's senior employees for a period of 12 months from completion.

The Company has agreed to provide the Purchaser with certain transitional services, including IT, HR, payroll, insurance and finance, for an anticipated period of between 6 and 12 months from completion at cost. The Company has also granted an intellectual property licence to the Purchaser in respect of certain JJB trade marks for a period of between 3 and 6 months.

The net proceeds of the Disposal will initially reduce the Company's borrowings under its working capital facilities, but will ultimately be used to fund the Company's short term working capital requirements. The proceeds will also be used to pay the Lenders' arrangement fee of approximately £8 million in aggregate, payable under the terms of the standstill arrangements entered into on 10 December 2008, as amended from time to time.

### **3. Information on the Fitness Business**

The Fitness Clubs business operates 55 fitness clubs (including the Cardiff MiFit fitness club, being the only MiFit fitness club) across the United Kingdom and Ireland with approximately 228,600 members as at 22 March 2009. The Purchaser will acquire 53 of these 55 sites. The Dundalk and Limerick fitness clubs, based in the Republic of Ireland, are excluded from the transaction. The Purchaser has also agreed to acquire leases or agreements to lease in relation to 10 future fitness clubs.

52 of the 53 fitness clubs comprising the Fitness Business (including the Cardiff MiFit fitness club) are co-located with a retail store in a single property unit, with the fitness club typically located on the ground floor of the unit and the retail store on a mezzanine level above.

As at 27 July 2008, the Fitness Business had gross assets of approximately £119.8 million. For the 52 week period ended 27 January 2008, the Fitness Business had revenue of £138.7 million and operating profit of £22.9 million (pre central costs for the attached retail stores). This financial information is extracted, without material adjustment, from the consolidation schedules which support the unaudited interim financial statements for the Group for the 26 week period ended 27 July 2008 and the audited financial statements for the Group for the 52 week period ended 27 January 2008, respectively, and relates to the assets that have been sold.

The Fitness Clubs business (including the Cardiff MiFit fitness club) employs over 1,500 staff, with 33 employees based at JJB's head office. An additional 7 employees at JJB's head office spend the majority of their time on the Fitness Clubs business (including the Cardiff MiFit fitness club). The attached retail stores (including the Cardiff MiFit retail store) employ over 1,600 staff. It is intended that all employees working in the Fitness Business will transfer to the Purchaser.

Managing Director Barry Aspinall joined JJB in 1993 and has run the Fitness Clubs business since it was founded in 1998. Graeme Rogers (Associate Director), Alun Peacock (National Operations Manager), Mel Crossland (National Sales Manager), Jules Housecroft (Club Openings Manager), Ian Watson (National Brands Standards Manager) and Elaine Coulthard (National Fitness Manager) are also key individuals important to the Fitness Clubs business.

#### **4. Background to and details of the waiver under Listing Rule 10.8**

Since 10 December 2008, the Company and its Lenders have been operating pursuant to standstill arrangements in respect of the Company's three existing debt facilities. As announced on 17 March 2009, the most recent standstill period expired yesterday. The Lenders agreed to grant the extension of the standstill period until yesterday (expiring prior to the due date for the payment of March quarterly rents on the group's portfolio of stores) in order to enable the Company to enter into definitive transaction documentation with the Purchaser as the preferred bidder.

Following receipt of final offers for the Fitness Business in the middle of March, the Lenders advised the Company that unless it entered into definitive transaction documentation for the sale of the Fitness Business on or before 24 March 2009 (with completion due to take place simultaneously), no further extensions to the standstill arrangements would be forthcoming and that the current facilities would be withdrawn and no further finance or facilities would be made available. Accordingly, all outstanding amounts under the existing debt facilities (totalling approximately £50.5 million in aggregate at 20 March 2009) would have become due and payable by the Company.

Prior to this time, the Company had been intending to seek shareholder approval to the Disposal and the Lenders had not previously indicated that they would not extend additional funds nor allow sufficient time to complete the Disposal in accordance with the usual requirements of Listing Rule 10.

Following a request to the UKLA by the Company, the UKLA granted a waiver, available only for companies in severe financial difficulty, under Listing Rule 10.8 in respect of the requirement to issue a circular and obtain shareholder approval for the Disposal which would have otherwise been required pursuant to Listing Rule 10.5.

In connection with the waiver, the Board of JJB confirms, as it has confirmed to the UKLA, that in respect of the Disposal:

- negotiations did not allow time for shareholder approval;
- all alternative methods of financing had been exhausted and the only option remaining to the Company was to make the Disposal; and
- by taking the decision to dispose of the Fitness Business to raise cash, the Directors believe that they were acting in the best interests of the Company and shareholders as a whole and that unless the Disposal was completed, receivers, administrators or liquidators were likely to be appointed.

The Directors believe that the Disposal is in the best interests of the Company and shareholders as a whole and that unless the Disposal had been completed the Company would have been unable to meet its financial commitments as they fell due and consequently would have been unable to continue to trade resulting in the appointment of receivers, administrators or liquidators.

The Company's sponsor, Lazard, has confirmed to the Company and to the UKLA that, in its opinion and on the basis of the information available to it, the Company is in severe financial difficulty and that it would not be in a position to meet its obligations as they fall due if the Disposal had not taken place according to the proposed timetable.

The Company's lenders, Barclays, Lloyds (formerly HBOS) and Kaupthing Singer & Friedlander Limited (in administration), have each confirmed to the Company and to the UKLA that further finance or facilities would not be made available and that unless the Disposal was effected immediately, current facilities would have been withdrawn.

## **5. Extension of the standstill arrangements and proposed financing arrangements**

In order to provide the Company with access to working capital during the period in which the CVA Proposal (further details of which are set out below) is considered by the Company's unsecured creditors and shareholders, the Lenders have agreed further to extend the standstill arrangements until 17 June 2009.

The Lenders will have the right to accelerate the standstill expiry date from 17 June 2009 in the event that either they are not satisfied with the progress of the CVA or the CVA Proposal is not approved or effected before that time. The Lenders will also have the right to accelerate the standstill expiry date if, inter alia: (i) they are not satisfied with the trading performance of the Company; (ii) if the deferred consideration for the disposal of the Fitness Business is not paid into an escrow account on or before 16 April 2009; or (iii) if they are not satisfied with the progress of the assignment of leases in respect of the Fitness Business.

As a consequence of the execution of definitive transaction documentation for, and simultaneous completion of, the Disposal, the Company and Barclays have reached agreement on the basis upon which Barclays would consider making available a new short term £25 million term loan (the "Barclays Facility") and the Company and Lloyds have reached agreement on the basis upon which Lloyds would consider making available a new medium term £25 million working capital facility (the "Lloyds Facility") to support the Company's ongoing funding requirements (the Barclays Facility and the Lloyds Facility together referred to as the "New Facilities").

The New Facilities will only be available to the Company following completion of the CVA Proposal (described in further detail below), and are intended to replace the three existing bi-lateral facilities with the Lenders that are currently available to the Company under the terms of the standstill arrangements.

With effect from the date upon which the New Facilities become unconditionally available to the Company for draw down, Barclays and Lloyds will be granted security over the assets of the JJB Group (excluding the Fitness Business) (the "Continuing Group").

In exchange for its continuing support, the Company is considering, subject to shareholder approval, the issue to Lloyds of warrants to subscribe for ordinary shares representing up to a maximum of 5% of the Company's current issued share capital. It is not intended that the warrants will be listed or traded on any recognised investment exchange or stock exchange. Once the Company has agreed definitive terms for these warrants, it intends to seek shareholder approval in a general meeting to disapply pre-emption rights to enable it to issue these warrants.

The parties are working towards finalising and documenting the terms of the New Facilities, including the terms of the financial covenants set out therein and the terms of the warrants, by the end of March, prior to the despatch of a shareholder circular and the documentation relating to the CVA Proposal.

## **6. Proposed Company Voluntary Arrangement**

The Board has been actively pursuing a strategy of returning JJB's core retail business to profitability by reducing costs, closing underperforming stores and reducing stock levels. However, given the current retail environment, the Board considers that the Company's future viability is dependant upon a scheme of arrangement of its affairs involving the compromise and release of certain liabilities.

After paying all March quarterly rents in full, the Board intends to propose a CVA to the Company's unsecured creditors and shareholders. At the same time, the directors of the Company's subsidiary, Blane Leisure Limited ("Blane"), intend to propose a CVA to Blane's unsecured creditors and shareholders. A CVA is a formal procedure under the Insolvency Act 1986 which enables a company to agree with its unsecured creditors a composition in satisfaction of its debts or a scheme of arrangement of its affairs which can determine how its debts should be paid and in what proportions.

The main objectives of the CVA Proposal will be to:

- seek to compromise claims of landlords of approximately 140 closed retail stores and certain related contingent claims; and
- vary temporarily the terms of leases of the Continuing Group's open retail stores, approximately 250 stores in total, such that rent will be paid on a monthly basis rather than quarterly.

The CVA Proposal will not seek to compromise claims of any other creditors. Throughout the CVA process, the Company shall continue trading under the control of the Directors, operating as a going concern. The Company and Blane are not in and will not be in administration as a result of commencing the CVA process.

The CVA Proposal will require the approval of:

- a majority in excess of 75% in value of the unsecured creditors of each of the Company and Blane present at a meeting on the resolution to approve the CVA Proposal; and
- more than 50% in value of the Company's shareholders present at a meeting on the resolution to approve the CVA Proposal (however, if the outcome of the meeting of shareholders differs from the outcome of the meeting of creditors, the decision of the creditors will prevail, subject to the right of any member to apply to the Court to challenge the approval of the CVA Proposal).

The Directors are firmly of the view that the CVA Proposal and the CVA process in general will facilitate a better outcome for creditors than would occur if the Company was placed into liquidation. The aim of the CVA Proposal is to achieve a result which:

- ensures closed retail stores are no longer a burden to the operating cash flow of the Group and thus improve cash flow;
- preserves job security for the majority of employees;
- enables the maximum number of supply arrangements to continue; and
- preserves value for shareholders.

Full details of the CVA Proposal (including details of the creditor and shareholder meetings) will be set out in the CVA Proposal document that the Company intends to despatch to unsecured creditors and shareholders in the week commencing 30 March 2009.

## **7. Working capital**

The Company is of the opinion that the Continuing Group does not have sufficient working capital for its present requirements, that is, for at least 12 months from the date of this announcement.

The Company remains dependent on the continuing support of its Lenders to continue trading. Accordingly, in order to allow it to proceed with the CVA Proposal (as described in detail above), the Company has now agreed with its Lenders, subject to the Disposal being effected, a further extension of the current standstill arrangements until 17 June 2009. The Lenders will have the right to accelerate the standstill expiry date from 17 June 2009 in the event that either they are not satisfied with the progress of the CVA or the CVA Proposal is not approved or effected before that time. The Lenders will also have the right to accelerate the standstill expiry date if, inter alia: (i) they are not satisfied with the trading performance of the Company; (ii) if the deferred consideration for the disposal of the Fitness Business is not paid into an escrow account on or before 16 April 2009; or (iii) if they are not satisfied with the progress of the assignment of leases in respect of the Fitness Business.

As described in more detail above, the Company is working towards finalising and documenting the terms of the New Facilities prior to issuing the documentation relating to the CVA Proposal. Based on recent discussions with the Continuing Lenders, the Company is confident that the New Facilities (including financial covenants) will be agreed, documented and committed on reasonably satisfactory terms. Subject to the New Facilities being committed, they will become available to the Company if the CVA Proposal is approved at the meetings of creditors and shareholders expected to be held in the week commencing 20 April 2009 and is not then the subject of any challenge (which would, in the opinion of leading counsel, have a reasonable prospect of success) (a "Valid Challenge") within 28 days of such approval having been reported to the Court on the day of the meeting or the day thereafter (the "Challenge Period"). On the date the New Facility becomes available (after the expiry of the Challenge Period expected to be on or about 22 May 2009) the Company's three existing bi-lateral facilities and the standstill arrangements will be terminated.

Whilst the Directors are firmly of the view that the CVA Proposal and the CVA process in general will facilitate a better outcome for creditors than would occur if the Company were placed into liquidation, the success of the CVA process is dependent upon voting by creditors and shareholders.

If the New Facilities are not agreed, committed and documented or if the standstill arrangements are terminated or if the CVA Proposal is not approved at the meetings of creditors and shareholders expected to be held in the week commencing 20 April 2009 or, if it is approved but is then the subject of any Valid Challenge within the Challenge Period (expected to end on or about 22 May 2009), the New Facilities will not become available to the Company and it is likely that the Company will no longer be able to trade as a going concern which is likely to result in the appointment of receivers, liquidators or administrators.

As outlined above, under the proposed terms of the New Facilities, initial committed facilities of £50 million will be made available to the Continuing Group upon the expiry of the Challenge Period (assuming there has been no Valid Challenge or the standstill arrangements have not otherwise terminated within that time). The Barclays Facility will be repaid progressively as the deferred consideration proceeds from the Disposal are received. It is therefore expected that by the end of August 2009, the Barclays Facility will have been repaid in full. The Lloyds Facility will be committed through until the end of September 2010. On the basis of this level of facility, the Company is of the opinion that it will not have sufficient working capital for its then present requirements, that is for the 12 months from the date of this announcement and a shortfall is likely to occur sometime towards the end of 2009.

In considering the working capital thought to be necessary for the Continuing Group and in determining the shortfall, the Directors have assumed that: (i) largely all of the deferred consideration of approximately £33.9 million payable, after the deduction of certain costs, expenses and other agreed amounts, by the Purchaser to the Company is released from escrow to the Company by no later than 31 August 2009; (ii) the Company's new business strategy is executed in accordance with its latest business plan for the Continuing Group; (iii) the Company executes its objective of reducing the working capital required by the business as its funding position stabilises; and (iv) volatility in the foreign exchange markets does not substantially impact margins.

The Company proposes to provide the necessary working capital thought by the Directors to be necessary through a number of initiatives, developed in consultation with the Lenders, including:

- reduction in discretionary capital expenditure on existing stores, including the rescheduling of proposed store refurbishments;
- further business restructuring, including streamlining business processes;
- negotiation of improved terms of trade;
- sale and leaseback of all or part of the Company head office site; and
- sale of one or more of the Company's remaining non-core assets which include the two remaining fitness clubs in Ireland and brands that the Company no longer wishes to develop itself.

Work on these initiatives has already commenced and initial indications are encouraging. In due course, the Company intends to explore other sources of finance.

To the extent that such actions are not successful and the Company is unable to secure further support from the Continuing Lenders or other sources of finance the Company

will no longer be able to trade as a going concern which would be likely to result in the appointment of receivers, liquidators or administrators.

## **8. Internal investigation**

On 13 January 2009, Christopher Ronnie, Chief Executive notified the Company pursuant to DTR 3.1.2R and 5.1.2R that Guro Leisure Limited (formerly known as Hallco 1480 Limited), a company in which he holds 50 per cent of the issued share capital, had disposed of the legal and beneficial ownership of 68,992,948 ordinary shares of 5 pence each in the share capital of the Company (the "Shares") (representing approximately 27.5% of the current total voting rights attaching to the ordinary shares in issue). Mr Ronnie acquired an interest in the Company's ordinary shares in June 2007 following the purchase by Hallco 1480 Limited of the Shares. Mr Ronnie informed the Company that the disposal has been made pursuant to the terms of a Global Master Repurchase Agreement and Facility Letter dated 8 June 2007 entered into with Kaupthing Singer & Friedlander Limited (the "Loan Documents"). Mr Ronnie also informed the Company that he was not aware of the date or place of the relevant transaction or of the price per share in respect of the transaction, but that he understood that the legal and beneficial ownership of the Shares and accordingly the voting rights attaching to the same had transferred pursuant to the Loan Documents.

On 20 January 2009, the Company announced that it had suspended Mr Ronnie from his duties under the terms of his service agreement, pending the outcome of an internal investigation being conducted by its legal advisers into certain matters. Following a disciplinary hearing on 23 March 2009, the Board confirms that the Company has terminated Mr Ronnie's employment with, and directorship of, the Company with immediate effect by reason of gross misconduct. The Board confirms that no settlement agreement has been entered into with Mr Ronnie and that the Company continues to reserve its contractual and other rights against him.

## **9. Management of the Continuing Group**

Having assisted with the disposal of the Fitness Business, David Madeley, Finance Director has notified the Company that he intends to resign as a director with effect from 31 May 2009. Over coming months, the Company will identify a suitable successor to Mr Madeley as Finance Director.

On 3 January 2009, the Company announced that it had strengthened its executive management team with the appointments of Sir David Jones as Executive Chairman and Peter Williams as an executive director. Following the dismissal of Mr Ronnie and the announcement of Mr Madeley's intention to resign, Sir David Jones will continue as Executive Chairman with particular responsibility for revitalising the Continuing Group's retail operations and implementing the new retail strategy. Peter Williams will continue to have responsibility for the strategic development of the business, including the implementation of the CVA Proposal. Pending appointment of Mr Madeley's successor, Mr Williams will also oversee the finance function.

In addition, Richard Manning, who has been acting General Counsel for the Company for the last three months on a temporary basis, will join the board as Legal Director and Company Secretary with responsibility for legal and company secretarial, HR and

property related matters. Mr Manning has over 15 years experience as an in-house lawyer, most recently as Company Secretary and General Counsel at GCap Media plc. He is not currently a director of any other publicly listed company. Within the last five years, Mr Manning was a director of GCap Media plc and GWR Group plc. He has advised that there are no other details to be disclosed in accordance with Listing Rule 9.6.13.

The Company also intends to strengthen the non-executive team on the Board.

## **10. Strategy and focus of the Continuing Group**

The Board, under the leadership of Sir David Jones, is implementing a strategy to revitalise the Group's core retail business and reposition it in the marketplace.

Under the marketing banner "Serious about Sport", the Continuing Group intends to offer a comprehensive selection of sporting equipment, together with footwear and sports casual wear, designed by Adidas, Nike and other brands. This comprehensive sports range will appeal to a wide customer base conveniently positioned between a more fashion focused sports casual wear offering and a mass market offering, competing principally on price.

In addition, the Company will focus on its multi-channel strategy taking advantage of the growth in alternate methods of shopping and retail brand loyalty.

The Company has already started to reduce the level of costs and further savings are expected to be achieved as the Company continues to streamline its business processes.

Discussions have already taken place with key suppliers who are keen to support the strategy and business of the Continuing Group. The Board is confident that once the New Facilities are in place, the relationship with the Company's suppliers will return to normal.

## **11. Current trading and prospects**

On the basis that the Company is able to secure the Company's future through the successful implementation of the CVA Proposal, the Board is positive that the continuing JJB retail group will succeed. As described above, the Board continues to explore strategies to revitalise the core retail business to ensure it will continue to trade through these difficult economic times.

The Company reaffirms its statement in the trading update on 14 January 2009 that it expects the Company will record a loss before tax and exceptional items of between £5 million to £10 million, before any one-off costs associated with the banking facilities, for the 52 weeks ending 25 January 2009. Within this result the LifeStyle division (now in administration) is expected to incur losses of around £15 million for the full year.

During the 10 week period from 12 January 2009 to 23 March 2009, total group sales (excluding the Original Shoe Company and Qube), on a like-for-like basis, were

18.5% lower than the same period last year. This consisted of a 6.7% increase in revenue for the Fitness Clubs business and a 22.5% decrease in retail sales.

In addition to the general weakness in consumer demand, the Company believes that this decrease in retail sales is as a direct result of the severe disruption in the supply of merchandise as a result of the well publicised financial uncertainty that has surrounded the Company's future for the last six months.

The core retail gross margin achieved during the same period was 350 basis points lower than last year as the Company continued its program to eliminate surplus stock. The stock holding position at 23 March 2009 in the retail business is 47% lower than last year.

## **12. Further information**

The Company currently expects to publish its annual reports and accounts for the 52 week period ending 25 January 2009 in the week commencing 18 May 2009 and has decided that it will not publish preliminary results prior to that time.

The Company currently expects to publish a shareholder circular and the CVA Proposal document in the week commencing 30 March 2009, with shareholder and creditor meetings expected to be held in the week commencing 20 April 2009.

Lazard is acting as financial adviser and sponsor to JJB, KPMG is acting as debt adviser to JJB and will act as nominee for the CVA Proposal, Halliwells LLP is acting as legal adviser to JJB in relation to the Disposal and Herbert Smith LLP is acting as legal adviser to JJB in relation to the Disposal, proposed financing arrangements and the CVA Proposal.

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This announcement has been issued by, and is the sole responsibility of, the Company.

Lazard & Co., Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and for no one else in connection with the Disposal and the CVA Proposal and will not be responsible to any person other than the Company for providing the protections afforded to customers of Lazard & Co., Limited or for providing advice in relation to the matters described in this announcement.

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