

JD GROUP – SOLID RESULTS IN TOUGH TIMES

- Turnover up 2.5% in a declining market
- Gross profit margin increases
- Operating profit before debtor's costs increases 9.3% on a like-for-like basis

The JD Group today released its audited results for the year ended 31 August 2009, showing some pleasing trends. The results, much in line with the Trading Statement issued on 4 November 2009, reflect a turnaround in the group's operations, despite the extremely tough trading environment. With the durable goods industry showing a 6.2% decline, the JD Group's 2.5% increase in turnover indicates a significant gain in market share, while at the same time the gross profit margin increased from 28.6% to 30.5%. "Couple these results with the tight credit conditions, where currently only 52% of submitted credit applications are approved, and we have a business poised to take every advantage of future growth the economy."

The restructuring embarked on some 18 months ago is now complete, with the final restructuring charges of R98 million written off this year, and the group is now focused into a Retail business, with Traditional, Cash and International retail operations, and a separate Financial Services business looking after the debtors' book and insurance business, as well as the New Business Division of Blake and Maravedi. The centralisation of the debt collection function was completed earlier in the year and while it resulted in an initial deterioration of the debtors' book, the Group is now seeing a stabilisation in the debtors' accounts and an improvement in the age curves, which augers well for the year ahead. Coupled with this, the new credit scoring system shortly goes live which will enhance the quality of risk management and credit granting processes.

The Traditional retail division, comprising the seven furniture and appliance chains, increased its product margin and reduced operating expenses, delivering a return on sales of 4.4% (2008: 2.1%) and a 108% increase in operating profit for the year excluding restructuring costs. In the Cash retail division, Incredible Connection showed a 11% increase in revenue and a 27% increase in operating profit. Hi-Fi Corporation, on the other hand,

performed poorly and is currently undergoing a complete makeover. The International business based in Poland, Abra continued to perform well. The strength of the Rand reduced excellent results in the local currency to a 5.4% growth in turnover and 18.4% growth in operating profit in Rand terms.

The Financial Services division produced flat growth for the year, with a reduction in insurance rates being compensated by the new service fees in terms of the National Credit Act. However, the increase in bad debt charge of R184 million resulted in operating profit declining by 39.9% to R374 million excluding restructuring costs.

On the New Business side, Maravedi continued introducing new financial products into JD Group's target market and will be launching a private label credit card in 2010, while Blake assisted in rolling out the Group's world class centralised contact centre.

Chairman, David Sussman, was especially pleased: "It is with a strong sense of pride that I am able to report that all the objectives set for the current year have successfully been

achieved.” he said. “At the half-year stage we advised that the worst was definitely over.

The trading performance for the past six months confirms this and we see clear signs that

the market is stabilising. While it will take time for consumers to rebuild a capacity for new

debt, the fundamentals are in place in the JD Group and we look forward to an improved

albeit challenging year ahead.”