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JJB Sports plc
Annual Report and Accounts 2012

JJB Sports plc
www.jjbsports.com
www.jjbcorporate.co.uk

JJB Sports is one of the UK's leading multi-channel sporting goods retailers operating out of over 185 stores across the UK and Ireland with a comprehensive e-commerce offering. We are building JJB into a market leading sports brand by giving access to top quality performance products that suit the needs of all our customers, who range from spectators through to performance athletes.

Our product offering covers an ever growing range of sports and brands delivered via an evolving multi-channel platform with a clear focus on customer service.

The business has been through much change in recent years and is currently going through a major restructuring to serve the market and its customers more effectively. By striving to provide choice, excellent service and competitive pricing for our customers over the next few years and beyond, JJB will complete its turnaround plan and deliver our vision of a true authentic multi-channel sporting goods retailer.

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Overview

Chairman's statement

Mike McTighe

Our last financial year was another significant one in JJB's history. As has been well documented, the early part of the year was dominated by the need to stabilise the financial position of the business and during this time we completed

- > Two capital raisings through Firm Placing and Placing and Open Offers raising combined gross proceeds of £96.5million,
- > A Company Voluntary Arrangement ("CVA") with our landlords enabling us to reduce our overhead base,
- > A Capital Reorganisation,
- > A transfer to the AIM from the main list of the London Stock Exchange, and
- > A re-negotiation of a three year extension to our existing bank facilities

These actions provided an opportunity to commence the turnaround in business performance. However, as I set out below, whilst many positive things have been achieved and our trading performance improved in the second half of the year, the actions we have taken have not delivered the scale of improvement required in the timeframe originally envisaged at the time of our capital raisings. In light of this, the Board concluded that both additional capital and expertise was required to complete the turnaround and to this end has been seeking a strategic investment partner to fulfil this role.

Our search has been successful and I am delighted to announce that subject to shareholder approval, Dick's Sporting Goods, Inc ("Dick's") has agreed to become a strategic partner to our business. In addition to the significant capital resources to be provided, the Board is of the view that the introduction of Dick's as a strategic partner will enable the Company to draw upon Dick's valuable experience in the sports retail market, which, in turn, will assist management in accelerating the Group's revised business plan. Dick's is an authentic full-line sporting goods retailer based in the USA, offering a broad assortment of brand name sporting goods equipment, apparel and footwear in a specialty store environment. We believe that this partnership will enable the business to complete its turnaround plan and deliver our vision of a true authentic multi-channel sports retailer.

In addition, our existing major shareholders continue to be tremendously supportive of the business and will again participate in this round of investment. The Company intends to raise £30 million (before expenses) by way of an exercise of warrants by our major shareholders, a private placement of shares with our major shareholders and Dick's and an issue of Convertible Loan Notes to Dick's. The Board has also reached agreement with adidas Group, one of the Company's key supplier partners, for the provision of a trade loan to assist in funding the Group's store transformation programme, and an agreement with Bank of Scotland ("BoS"), the Company's lender, regarding the continued provision of our Bank facilities through to 31 May 2015. Once again I would like to place on record my thanks to these and other stakeholders for the support they have shown and continue to show the business.

Details of the investment package are set out on page 77 of the Report and Accounts.

Our strategy

The Company has made progress in implementing the Group's revised business plan, however, in light of the increasingly poor macroeconomic conditions, management was forced to prioritise the preservation of cash in the short term and scale back its investment in store and proposition development, particularly in respect of those stores that management has identified as requiring a full transformational refit. In spite of this, achievements so far include

- > The closure of the first 41 CVA stores,
- > Operationalising our plans to drive continuous improvement across the Company's basic retail disciplines, product sourcing, market planning, allocation and supply chain to forecast milestones,
- > Rolling out training to all in-store colleagues covering customer service, management techniques and improving product knowledge,
- > Establishing a multi-channel programme to drive improvements in on-line capability, aligned to the in-store channel experience. Our second half like-for-like growth in multi-channel sales was 77 per cent compared to a first half of 15 per cent, and
- > Reducing the Company's cost base, by working systematically through identified areas of opportunity, including savings at the Company's Retail Support Centre in Wigan. We have already begun to realise cost savings in respect of warehousing and distribution, store wages and central overhead costs.

Overview

Chairman's statement continued

Successful completion of the strategic investment and financing package will improve the Group's working capital position and help to implement the Group's capital expenditure plans, particularly in respect of its store transformation programme and multi-channel offering. Over the course of the next 18 months management intend to transform up to 60 stores into a format recently trialled with success at our Broughton store near Chester

Our Board

There have been some changes to the Board during the period under review

Richard Bernstein joined the Board on 6 May 2011 following his nomination by Crystal Amber Fund and on 1 November 2011 Lawrence Christensen also joined the Board. Both have already brought their own expertise to the Company which will help in delivering JJB's turnaround strategy. In addition Lawrence has taken on the role of Chairman of the Remuneration Committee

As has previously been announced Richard Manning and Alan Benzie left the Board at the Company's Annual General Meeting in July 2011. Following Alan's departure our Senior Independent Director, David Adams became Chairman of the Audit Committee

Our colleagues

As ever I would like to thank all our colleagues for their continued hard work and contribution to our turnaround in a time of continuing change

Going concern

In determining the appropriate basis of preparation of the Annual Report, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, that is for at least 12 months from the date of signing of this Report. After making enquiries, and considering the matters which are described in the Annual Report, the Directors have concluded that they have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. However, the Directors have concluded that there are material uncertainties facing the business. Further details are set out in the Corporate Governance section of this Annual Report and Accounts

Outlook

Looking ahead, the ongoing credit squeeze on consumers and weaker UK employment numbers creates a tough environment. However the platform we have built over the past 12 months and strategic investment and financing package the Company has announced today have given JJB a chance to complete its turnaround programme

Mike McTighe
Chairman
4 April 2012



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Business review

Chief Executive's review

Overview

The 52 week period to 29 January 2012 has once again proven to be an extremely challenging time for the Company

Review of operating results

The operating results for the 52 weeks to 29 January 2012 and the comparative figures for the 52 weeks to 30 January 2011 are summarised below, together with a review of our turnaround strategy

	52 weeks to 29 January 2012	52 weeks to 30 January 2011
	Total £'000	Total £'000
Continuing operations		
Revenue	284,206	362,894
Cost of sales	(182,722)	(238,020)
Gross profit	101,484	124,874
Other operating income	2,682	1,848
Distribution expenses	(16,732)	(20,810)
Administration expenses	(21,800)	(24,075)
Selling expenses	(169,084)	(263,649)
Operating loss	(103,450)	(181,812)
Adjusted operating loss*	(56,242)	(73,856)

* Adjusted operating loss is shown before charging exceptional operating items of £47.2 million largely attributable to increases in property provisions impairment of tangible and intangible assets, an HMRC provision and reorganisation costs incurred during the Group's restructuring in the period (2011 £(92.6) million – goodwill impairment £(15.4) million – other items), as shown in the Consolidated statement of financial performance

Strategy and progress

Since completion of the April 2011 Capital Raising and the Company's move to trading on AIM on 28 April 2011, the Board has progressed with the key elements of the Group's revised business plan as follows

> **Rightsizing the store portfolio through implementation of the CVA** – The Group has successfully implemented the first phase of the CVA with 41 of the 43 stores identified for closure on or before 24 April 2012 (referred to in the CVA Proposal Document as the "First Period Compromised Leases") now closed, of which 11 have been surrendered to the landlords, generating an annualised rent saving of £1.6 million. For the remaining two stores that were identified as First Period Compromised Leases, rents continue to be paid on a reduced basis of 50 per cent of the contractual liability (plus 5 per cent dilapidations and any contractual amount for service charges) until 24 April 2012. For the additional 46 stores identified for closure on or before 24 April 2013 (referred to in the CVA Proposal Document as the "Second Period Compromised Leases"), 12 stores have been surrendered to the landlords as at 29 January 2012, generating an annualised rent saving of £1.7 million and one store has returned to the core estate. For the remaining 33 stores that were identified as Second Period Compromised Leases, rents continue to be paid on a reduced basis of 50 per cent of the contractual liability (plus 5 per cent dilapidations and any contractual amount for service charges) and will continue to be paid until 24 April 2013. As at 29

January 2012, management has also achieved annualised rates savings of approximately £2.8 million. Management estimate savings of approximately £4.0 million in negative contribution and further incremental working capital savings.

> **Aligning the Company's cost base and working capital management** – Management has secured significant cost savings across all key business functions. Warehouse and distribution costs have reduced by £4.1 million from £20.4 million to £16.3 million, with estimated annualised savings in excess of £5.6 million now identified as compared to management's original target of £3.5 million (as announced on 6 April 2011), with further opportunities identified beyond this original target. Through better deployment of our colleagues particularly at peak trading periods, management has achieved savings in respect of core store wages of £5.1 million, again with estimated annualised savings in excess of management's original target of £3.3 million (as announced on 6 April 2011). Other store costs and central costs have also been reduced on a systematic basis through better procurement, improved utilisation and efficiencies and tighter cost control processes, with actual annualised savings exceeding management's original target of £2.4 million (as announced on 6 April 2011). In addition, the Company continues to prudently manage its working capital, cash and available resources and has targeted an acceleration of its stock efficiency initiatives through better management of stock intake, improved stock allocation and replenishment and being more pro-active in respect of in-season stock clearance.

Business review

Chief Executive's review continued

> *Improving the Company's basic retail disciplines*

– Management has made significant progress in improving the basic retail disciplines in the Company. Since completion of the April 2011 Capital Raising, management has been defining and implementing key processes and systems, and identifying and recruiting new talent particularly to advance the Company's buying, merchandising, marketing and multi-channel functions. Management is confident that it now has clear visibility around stock intake, improved stock allocation, better stock sell-through, defined clearance capability and improved stock file integrity. Improved visibility of stock intake has facilitated the development of a multi-channel trading and marketing calendar with co-ordinated campaigns aligned to and supported by key supplier partners.

> *Investment in store development* – The Company announced on 6 April 2011 (in connection with the April 2011 Capital Raising) that it had devised three levels of store and proposition development that had been incorporated into the Group's revised business plan – retail basics, refresh refit and full transformation. Since completion of the April 2011 Capital Raising, the macroeconomic deterioration in retail trading conditions led the Group to prioritise the preservation of cash in the short term and scale back the extent to which the Group was able to invest in store and proposition development. However, despite the challenging trading conditions, the Group has still completed 103 stores for its retail basics programme, 8 stores for its refresh refit programme and 2 stores for full transformation. The refit programme cascaded the key initiatives from the original 6 transformation stores including navigation, product adjacencies, space mix and point of sale. These store programmes were completed at a significantly lower cost than originally budgeted, this supported the improvement in second half performance. The Group's capital expenditure in respect of stores forming part of the refresh refit programme was £0.3 million, a considerable saving on original estimates.

> *Continuing to source new ranges and product –*

The Company's own-brand development has gained momentum, with the introduction of an own-brand swimming range H2O in September 2011, and expansion of the exclusive Run 365 footwear and apparel range in October 2011. In addition, the Company has added Mind, Body & Soul, Travel Fox, Ecco Unltd and Pro Performance as exclusive branded products in the second half of 2011. In aggregate, exclusive and own branded product was 6.7 per cent of the sales mix at year end. Management continues to work closely with all its key supplier partners to develop exclusive and differentiated products and propositions. Recent additions include ASICS and Saucony, which also underpin the Company's positioning as the authentic multi-channel sports retailing brand in the UK. In addition, management has developed a number of new service initiatives, such as introducing Gait analysis into a number of stores to ensure each customer is fitted with the right footwear for them and their sport. We have also built on the successful Footwear Recycling initiative, where in excess of 25,000 training shoes have been recycled, with the proceeds going to Whizz Kids who provide wheelchairs to enable children to participate in sport.

> *Focusing on customer service training and people capability training*

– Customer service and people capability training remains a key objective for management and remains a key differentiator in the market. Since completion of the April 2011 Capital Raising, the Company has significantly upgraded its senior management team and invested in new personnel to the Group's Retail Support Centre in the 52 weeks to 29 January 2012. In addition, the Company has recruited 10 new store managers externally, completed customer service training for over 4,000 colleagues, graduated 26 colleagues from its "stepping into management" personal development programme, and trained 191 store managers in sales floor coaching.

> *Improving the multi-channel proposition* – Following the recruitment of a new Head of Multi-channel on 4 July 2011, the Company has made progress in enhancing its multi-channel proposition resulting in significant growth in sales. Developments include the launch of a mobile version of the website, introducing Paypal and developing an eBay and Amazon offering. In addition, the Company has enhanced the online customer shopping experience by adding new online exclusive products as well as improving the landing pages and site navigation. Alongside other initiatives and improvements this has provided customers with an easier and more convenient shopping experience and resulted in significantly increased traffic and conversion rates.

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Ongoing retail operations

Revenue from ongoing retail operations for the 52 weeks to 29 January 2012 decreased by £78.7 million (21.7 per cent) compared to the previous accounting period as a result of store closures and reflected a like-for-like decrease of 13.1 per cent (on operating units that have been trading in the same format for over 52 weeks)

Overall gross margin from ongoing retail operations increased to 35.7 per cent from 34.4 per cent for the prior year

Cumulative like-for-like sales in the second half of the financial period for the 26 weeks ended 29 January 2012 decreased by 7.6 per cent compared to a decrease of 17.9 per cent in the 26 weeks ended 31 July 2011. However, in the same period, our like-for-like cash gross margin increased by 0.3 per cent compared to a decrease of 37.4 per cent in the first half. Operating costs before exceptional items for the 52 weeks to 29 January 2012 have decreased by 20.0 per cent to £160.4 million from £200.6 million

At the period end the Company comprised 190 (2011: 247) trading retail stores operating from 2.1 million square feet (2011: 2.7 million square feet) of retail space

Operating loss

Operating loss from the ongoing retail operations was £103.5 million (2011: £181.8 million), after charging exceptional operating items of £47.2 million, compared to £108.0 million in 2011. Principal exceptional items this period were provisions of £15.0 million relating to property provisions, an impairment of brand licences of £7.8 million as a result of uncertainties of associated future cash flows, an HMRC provision of £5.3 million, an impairment of fixed assets of CVA stores of £6.8 million and an impairment of £4.7 million on review of the tangible assets of stores which are loss making and are expected to continue making losses. The principal exceptional item in 2011 related to an impairment to the carrying value of goodwill in respect of Blane Leisure Limited and Sports Division (Eireann) Limited and was included within selling expenses. Operating loss from ongoing retail operations before exceptional items was £56.2 million (2011: £73.9 million)

There has been an improvement in operating performance in the second half of the accounting period. Operating loss from ongoing retail operations before exceptional items in the second half of the period was £(19.5) million compared to £(36.7) million in the first half of the period

Full details are shown on the face of the Consolidated statement of financial performance

Net loss before taxation

The net loss before taxation decreased to a £101.1 million loss from a £181.4 million loss in the prior period

Taxation

Owing to the losses incurred there is no taxation payable

Loss per share

Continuing operations

Basic loss per Ordinary Share for the 52 weeks to 29 January 2012 was 40.40 pence compared to 72.45 pence (represented – see note 13) in the previous accounting period. The loss per share has decreased due to the decrease in operating losses from £181.8 million to £103.5 million including a reduction in exceptional items to £47.2 million (2011: £108.0 million). The adjusted basic loss per Ordinary Share (before deduction of exceptional items) for the 52 weeks to 29 January 2012 was 21.54 pence compared to 29.33 pence (represented – see note 13) in the previous accounting period. The number of shares for the purpose of basic loss per Ordinary Share and adjusted basic loss per Ordinary Share has been adjusted retrospectively in 2011 to take account of the Firm Placing and Placing and Open Offers completed during February 2011 and April 2011

Business review

Chief Executive's review continued

Key performance indicators

During the period under review the Board monitored its performance by reference to a number of key performance indicators ("KPIs") of which the most important were

	52 weeks to 29 January 2012	52 weeks to 30 January 2011
Financial KPIs		
Change in like-for-like revenue	(13.1)%	5.9%
Gross margin	35.7%	34.4%
Cash flow from operations	£(78.6)m	£(71.9)m
Net debt	£11.3m	£18.8m
Inventories	£47.3m	£52.7m
Inventories less trade payables	£29.6m	£14.3m
Non-financial KPIs		
Retail selling space (sq ft)	2,095,000	2,748,000
Number of full time equivalent employees	2,866	3,779

In order to measure and monitor the success of its turnaround plans the Board has developed a more comprehensive set of financial and non-financial KPIs aligned to each element of the plan which are reported on a regular basis. These include conversion rates within stores, conversion rates for multi-channel, average transaction value and multi-channel like-for-like

Review of Statement of financial position

Goodwill and intangible assets

Goodwill has been subject to an impairment review as at the period end date and no impairment was found to be necessary as at 29 January 2012. This value remains at £13.8 million.

Other intangible assets, represented by brand licences, have been impaired by £7.8 million due to uncertainty around associated future cash flows (see note 15).

Capital expenditure

Capital expenditure on property, plant and equipment for the 52 weeks to 29 January 2012 was £2.9 million compared to £4.1 million in the previous accounting period. This capital expenditure was principally incurred on the refurbishment of stores and the opening of two new stores relocated during the period.

Property plant and equipment

As a result of a review of the carrying value of the tangible assets within the Group, the Group has recognised an impairment of £6.8 million on the closure of stores within the 2011 CVA and an impairment of £4.7 million on the tangible assets of stores which are loss making and are expected to continue making losses. Tangible assets of £1.0 million have also been written off on the closure of one of the remaining soccerdomes.

Inventories

The value of inventories at 29 January 2012 was £47.3 million compared to £52.7 million at 30 January 2011. This decrease is due to the reduction in the number of stores offset by a reassessment of provisioning requirements as at the period end date.

Net debt

The Group's net debt at 29 January 2012 was £11.3 million compared to £18.8 million at 30 January 2011. The principal reason for this reduction is the net funds from the capital raisings offset by the net cash outflow from operations of £78.6 million.

Trade and other payables

Trade and other payables have reduced to £45.7 million at 29 January 2012 from £68.4 million at 30 January 2011 owing to the reduction in the stock values at the period end and a reduction in creditor days owing to the repayment of trade creditors which were overdue as at 30 January 2011.

Dividend

The Board is unable to recommend payment of a dividend in respect of the 52 weeks to 29 January 2012 (2011 nil).

Share capital

Details of the share capital movements, including the two Firm Placing and Placing and Open Offers referred to earlier, and the Capital Reorganisation are described in note 26 of the Notes to the Financial statements.

The mid-market share price of the Ordinary Shares at the close of business on 27 January 2012 was 11.50 pence, representing an equity market capitalisation of approximately £33.7 million.

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Director update

There have been the following changes to the Board over the last 12 months

- > On 6 May 2011, Richard Bernstein was appointed to the Board as a Non-executive Director appointed by Crystal Amber Fund Limited
- > On 8 July 2011, Richard Manning and Alan Benzie resigned as Legal and Operations Director and Non-executive Director respectively
- > On 1 November 2011, Lawrence Christensen joined the Board as a Non-executive Director

Events after the Statement of financial position date

Please refer to note 42 of the Notes to the Financial statements on page 77

Principal risks and uncertainties

The process to strengthen the internal control environment of the Company and its business has continued to develop since the last Annual Report, and the Board continues to identify and review key business risks and oversee the development of processes to ensure that these risks are managed appropriately. Executive Directors and senior management are delegated with the task of implementing these processes and the Executive Directors are charged with reporting to the Board on their outcomes. Alongside the risks surrounding the going concern assumptions which are discussed fully on pages 40 to 42 the key risks identified by the Board include

Business plan

JJB has finalised a revised business plan with the aim of restoring the viability of the Group's business model and returning the business to profitability in the longer term. The key components include a multi-channel retail offering, revised store format and layout and comprehensive internet facilities, and targeted product offerings. The plan assumes certain assumptions and judgements relating to, amongst other things, future market conditions and consumer preference. If these assumptions and judgements were to prove incorrect, or the key components were to fail, the targeted benefits of the business plan may not materialise which could affect the Group's business, financial condition or results of operations which in turn could affect headroom on cash facilities and covenants.

As part of developing the Group's revised business plan, JJB has identified and has either commenced implementation or intends to implement cost savings through various initiatives. The achievability of such savings and estimated costs of achieving such savings relate to future actions and circumstances which, by their nature, involve risks, uncertainties and other factors. The Board will continue to monitor cost saving initiatives and related expenses to ensure they are consistent with the revised business plan.

As part of implementing a sustainable operating model going forward, the Group has endeavoured and is continuing to endeavour to make significant operational improvements and efficiencies within its buying function. Inefficient buying procedures and inadequate stock management processes can mean the Group operates at a competitive disadvantage and fails to maximise sales. By introducing well managed automated systems and processes that control the ordering, management and distribution of stock, together with the recruitment of experienced management, the Group aims to reduce these operational risks.

Economic conditions

In common with most retailers, JJB's results can be affected by a number of economic conditions including interest rates, the availability of consumer credit, the level of inflation and movements in consumers' disposable income. All these factors affect the level of consumer confidence and can impact upon revenue achieved. This is particularly relevant at the current time where present economic conditions are having a particularly adverse effect upon consumers' buying habits. In order to mitigate these economic risks, JJB needs to remain competitive through the offer of a wide range of products at reasonable prices and through a strong and cost-effective property portfolio.

Competition

JJB's retail store chain operates in a particularly competitive part of the retail sector and therefore its degree of competitiveness is to some extent affected by the retail pricing policies of its competitors which in turn impacts upon JJB's margins, profitability and market share. JJB continues to re-position itself within the market and refocus on its retail strategy offering quality ranges at varying price points, together with improving its multi-channel capability, the quality of its store portfolio and its service offering.

Key personnel

The success of JJB is partly dependent upon the continued service of its key management personnel and upon its ability to attract, motivate and retain suitably qualified employees. The Group structure is continually reviewed to ensure it is consistent with the Company's operations and strategy to drive the business forward. Appropriate remuneration packages will be offered to ensure that key employees are recruited, retained and motivated as well as offering suitable career development opportunities.

Business review

Chief Executive's review continued

Suppliers

JB is dependent upon its major suppliers continuing to support the Group's business and to design and produce quality product ranges for sale within its retail stores. JB requires major suppliers to provide products at wholesale prices that will enable JB to maintain its margins and to compete effectively within the retail sector. JB continues to develop mutually beneficial relationships with its main suppliers and develop relationships with new suppliers.

Availability of credit

The future cost and availability of finance will affect the ability to undertake investment and expansion.

Treasury and financial risks

JB is subject to treasury and financial risks arising from the security of its existing funds, the ongoing availability of new funds and fluctuations in interest and exchange rates. The Group has adopted a policy of only dealing with creditworthy counterparties and monitors its funding requirements by regular funds forecasting. The Board reviews regularly any requirement to protect the Group against fluctuations in interest rates and exchange rates.

IT systems and business continuity

JB is dependent upon the continued availability and integrity of its computer systems. Its retail and remaining fitness club operations must record and process a substantial volume of data and conduct inventory management accurately and quickly. This can only be achieved on systems that benefit from continuous enhancements and ongoing investment in order to minimise the risk of obsolescence and maintain responsiveness to business needs. JB is also dependent upon the uninterrupted operation of its computer systems and therefore reliance needs to be placed upon a disaster recovery plan to replicate the data stored on its business critical computer systems. JB has extensive controls in place to maintain the integrity and efficiency of its IT infrastructure.

Revenue dependence on key sporting events

JB derives some benefit in alternate years from the sale of replica kits if the national football teams reach the finals of the two major competitions (the FIFA World Cup and the UEFA Euro Championships). In order to mitigate against the risk of over-dependence on these key sporting events, JB continues to implement measures to reduce the level of dependency on tournament years by concentrating on all major sporting events and offering a wider perennial product portfolio. During the forthcoming year, we have the added benefit of the London 2012 Olympics which is another major event in the sporting calendar.

Logistics and distribution infrastructure

An important component of JB's strategy is to maintain a secure and efficient Distribution Centre in order to ensure prompt and frequent deliveries of inventory to its retail stores. Any disruption to this supply chain could adversely affect the Group's revenue levels.

Leasehold property portfolio

The Group's store portfolio is held through leasehold interests, which are generally subject to periodic rent reviews, lease expiries and renegotiations. As a result, the Group is susceptible to changes in the property rental market, such as increases in market rents, and may not be able to renew existing store leases if the landlord establishes statutory grounds for non-renewal or if the leases do not have the benefit of statutory or contractual rights of renewal. This could have an effect on the Group's business and overall financial condition. Impending rent reviews and lease expiries are constantly monitored to ensure the Group's property portfolio is not put at risk and that new opportunities are available if required.

Keith Jones

Chief Executive
4 April 2012

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Business review

Corporate responsibility

Corporate Social Responsibility

JJB recognises that it has a duty to ensure that its business is conducted in a socially responsible manner meeting high standards in both social and environmental behaviour. Through its employees, the Group aims to comply with all applicable laws and, where possible, exceed best practice conditions in the markets within which it operates.

The Board is responsible for corporate social responsibility and it has made the commitments set out below. As noted elsewhere in this Report, the Board has recently constituted a CSR Committee that will pursue a number of new CSR activities that will be reported on in the future.

- > Endeavours and initiatives are focused towards the provision of ethically produced, quality, value-for-money products, through a safe and satisfied workforce in a way that benefits the communities within which the Group operates,
- > Any negative social and environmental impact within all areas of its operation will be minimised,
- > It will monitor the effectiveness of controls in place to manage corporate social responsibility risks and changes in new legislation,
- > It will apply guiding principles of corporate social responsibility relating to ethical codes of conduct and worldwide labour standards, environmental impact and social and community issues, and
- > Charitable activities will be pursued and encouraged.

Ethical codes of conduct and worldwide labour standards

JJB seeks to provide its customers with high quality, value-for-money products, sourced from suppliers and manufacturers who can clearly demonstrate compliance with JJB's own codes of practice as well as internationally accepted standards. JJB's Code of Practice on Socially Responsible Trading and the Factory Code of Conduct have been accepted by JJB's principal suppliers and source manufacturers. The Codes are based upon the internationally accepted principles of the Ethical Trading Initiative Base Code of Labour Standards and the Model Code of Conduct devised by the World Federation of the Sporting Goods Industry.

JJB cares about the labour standards within its global supply chain and expects its suppliers to demonstrate similar concerns. In order to obtain assurance that the factories used by JJB's suppliers and source manufacturers comply with the Factory Code of Conduct and so promote sustained improvement in factory working conditions, a factory inspection methodology is in operation. The factory inspection process ends with follow-up inspections to ensure the Factory Code of Conduct is being adhered to.

The majority of JJB's products are purchased from the UK subsidiaries of major international suppliers who generally source their products in the Far East. Through regular meetings with suppliers JJB tries to ensure that those manufacturing units have comprehensive compliance procedures and good working practices in place.

JJB applies the same level of corporate social responsibility commitment towards all of its own workplaces, thereby ensuring a safe and healthy, yet challenging and rewarding work environment. JJB has a Code of Practice on Socially Responsible Trading, a Health and Safety Policy, an Equal Opportunities Policy and a Whistle-blowing policy, together with high standards of employment practice. These policies, together with store work procedures, are set out in the Retail Operations Manual at each workplace. They are considered to be effective in achieving their stated aims.

The Group's policies are designed to value the human rights of all employees, whether directly employed, sub-contracted or employed within the supply chain.

Environmental impact

The Board takes into account the environmental impact of its decisions in the decision-making process. JJB's environmental management system operates in conjunction with the risk management framework covering core business management processes and has five environmental principles.

- > Reduce adverse environmental impacts arising from the Group operations,
- > Ensure effective and efficient use of materials and energy,
- > Operate a waste management system to minimise waste and maximise waste recovery,
- > Ensure compliance with relevant environmental laws and codes of best practice, and
- > Incorporate the principle of sustainable development through a systematic approach to environmental management in order to achieve continual improvement.

Business review

Corporate responsibility continued

Environmental impact (continued)

The Board's policy is to source energy-efficient plant for its new retail stores wherever possible. The Board is committed to a Carbon Management Programme that aims to reduce the Group's carbon footprint and point the way towards achieving a carbon neutral position.

The Board is committed to reducing the Group's landfill waste from all its operations. Wherever possible, cardboard (the major packaging constituent in the business) and paper are baled and passed to a recycling business for reprocessing. The usage of cardboard and paper fell for the fourth year in succession due to the reduced usage to 1,120 tonnes (2011: 1,446 tonnes). This further reduction in cardboard recycling is a reflection of the reduced number of stores but also reduced usage of packaging by JJB and the use of recycled tubs to transfer stock to stores.

Charitable and community issues

JJB values the relationships with both its customers and the wider community. The Group provides a valuable service to the community by supplying a wide range of competitively priced sports clothing, footwear and accessories through its retail stores to enable the general public to take part in sporting activities.

JJB continues to support local and national charities as well as supporting local sporting teams. Currently, we provide three of our sites rent free to registered charities (our Blackpool site to the Fylde Ex-Service Liaison Committee, a site in St Helens to Willowbrook Hospice and our Plymouth unit to the local YMCA). In addition, we have also passed on 20 of our sites (including some CVA stores) to Freespace, a charitable letting agency finding sites for other charities.

A summary of the principal amounts of money raised for charities during the accounting year through JJB activities is given below:

- > £2,146 was raised for Macmillan Cancer Relief through the sale of football badges. Since the campaign began in 1999 over £12 million has been donated to this charity,
- > £7,891 was raised for Breakthrough Breast Cancer through the sale of pin badges in the Company's stores, and
- > the Company encourages its staff to participate in events such as Sport Relief and Children in Need, and employees participate in the London Marathon.

During the financial year, JJB launched a shoe recycling programme. Customers received a voucher redeemable against a new pair of sports shoes when they deposited an old pair in store. The money that JJB raises from the recycling of the shoes is to be donated to its chosen charity – Whizz-kidz. The scheme has proved to be successful and is to be continued in the future. The Company is pursuing a number of other avenues to extend the partnership with Whizz-kidz which already includes the placement of collection tins within each store.

The Company formed a CSR Committee on 6 May 2011 to further its activities in the community with a particular emphasis on charitable issues.

JJB made no political donations during the current or previous accounting period.

Employment issues

The Group currently employs approximately 4,000 people throughout the UK and overseas (principally Eire). This has been another difficult year for many employees of the Group and JJB always strives to be a responsible and valued employer. JJB is an equal opportunities employer and as such the following key values are respected throughout JJB's operations:

- > All employees should be treated fairly and equally and the workplace should be free from discrimination, harassment and intimidation,
- > Recruitment, retention and progression of employees is based solely on personal ability and competency for the work in question,
- > Disabled persons should enjoy equal opportunities within the workplace. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned, and
- > Redundancies will be conducted fairly and in accordance with all applicable laws.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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Employee training

Staff training and development is a major priority for JJB and is taking on a new focus as the Company develops its business planning in 2012 and beyond. Colleagues working in store receive training relating to selling techniques, products, health and safety and management skills. The Group grants financial support to those employees wishing to obtain relevant professional qualifications whilst in its employment. Career progression is available to employees across the Group.

Employee consultation

The Group places considerable value on the involvement of its employees in matters affecting them as employees. JJB has continued the practice of keeping employees informed on such matters and on the various factors affecting the performance of the Group. This is achieved through regular meetings involving Directors, managers and supervisory staff to convey information about the business as well as via Company notice boards and regular emails and blogs. Furthermore, the Group has established an RSC Employee Forum to assist with communication on a number of levels, including in relation to redundancy consultation.

The GMB Union is accepted by the Group to negotiate collective bargaining on behalf of hourly paid staff within the Distribution Centre.

Employee Sharesave plan

The Group operates a Sharesave plan which is open to all employees with the relevant length of service with the Group. Three invitations under the Plan have been made as follows:

- > September 2007 at an option price of 1,690 pence per Ordinary Share. As at 29 January 2012, the plan had 4 members holding options over 616 Ordinary Shares.
- > November 2009 at an option price of 232 pence per Ordinary Share. As at 29 January 2012, the plan had 43 members holding options over 29,147 Ordinary Shares.
- > November 2010 at an option price of 77 pence per Ordinary Share. As at 29 January 2012, the plan had 91 members holding options over 458,128 Ordinary Shares.

All figures quoted are after the Capital Reorganisation on 21 February 2011.

Under the plan, employees can save up to a monthly limit of £250 and are given an option to buy Ordinary Shares in JJB, in the case of the September 2007 invitation, at the end of three or five years, and in the case of subsequent invitations, at the end of three years, at a discount of 20 per cent of the market value of the Ordinary Shares at the date of grant. The three year plan under the September 2007 invitation has now closed. There are no performance conditions attached to the remaining options.

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Board of Directors

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Executive Directors

01 Keith Jones MBA (47)

Chief Executive Officer

Keith joined the Board on 1 March 2010 as Chief Executive Officer. He was previously Group Retail Director at DSG International plc, the leading electrical retail group, where he spent the past ten years in a variety of senior roles. Before that he held a number of positions within other retail groups, including Virgin and B&Q. He has an MBA from Manchester Business School.

02 Dave Williams BA FCA (45)

Chief Financial Officer

Dave Williams joined the Board on 17 January 2011 as Chief Financial Officer. He previously held the position of Finance and IT Director at TJ Hughes Limited, a leading discount department store chain. Prior to joining JJB, Dave held a number of senior finance roles at Focus DIY Group Limited, most recently as Group Finance Director and Company Secretary. He is a Fellow of the Institute of Chartered Accountants and a former Director in the Transaction Services division of KPMG. He became Company Secretary of the Company during July 2011.

Non-executive Directors

03 Mike McTighe (58)

Chairman

Mike McTighe was appointed Chairman of the Board of the Company on 23 December 2010. Following an executive career in the medical equipment and telecommunications industries, including the chief executive role at the global operations division of Cable & Wireless plc, he holds a number of directorships, and is currently on the board of OFCOM (the UK's regulator of the broadcasting, telecommunications and wireless communication sectors). He was voted the UK Quoted Companies 2010 Chairman of the Year and currently serves as Chairman of Volex Group plc and WYG Group plc and is the senior independent non-executive director of Betfair Group plc. Mike has previously served as a director of Alliance & Leicester plc and Chairman and CEO of Carrier1 International SA.

04 David Adams M A (Hons), FCMA (57)

Senior Independent Non-executive Director

David Adams was appointed as a Non-Executive Director of the Company on 29 January 2010. He is currently a Non-executive Director of Halfords Group, British Retail Consortium (Trading) and a Trustee and Non-executive Director of Walk the Walk, a breast cancer charity. He was Chairman of Jessops from 2007 to 2012 and he has also held Non-executive positions at Moss Bros (where he was Non-executive Chairman), Whittard of Chelsea, Ottakars, Eidos and Alexon. Between 1997 and 2006, David was Finance Director of House of Fraser, additionally becoming Deputy CEO in 2001. Prior to 1997, he held senior positions at Asprey, Ladbrokes and Burton Group.

05 Sir Matthew Pinsent CBE (41)

Independent Non-executive Director

Sir Matthew Pinsent was appointed as a Non-executive Director of the Company on 31 January 2010. He read geography at Oxford University before embarking on an international rowing career that spanned two decades. During that time he won ten World Championship and four Olympic gold medals. In addition Matthew raced the University Boat Race three times for Oxford winning twice and has won 14 times at Henley Royal Regatta. In 2005 he was an ambassador for the successful London bid to bring the Olympic Games to the UK. He is now a journalist and broadcaster, reporting on a wide range of sports for the BBC and The Times newspaper. Matthew was awarded an MBE in 1993, a CBE in 2001 and was knighted in 2005.

06 Richard Bernstein (48)

Non-executive Director

Richard Bernstein was appointed as a Non-executive Director on 6 May 2011. He was nominated to the Board by Crystal Amber Fund, one of the Company's leading shareholders. Richard is also founder and Chief Executive of Eurovestech plc, the AIM listed European technology fund. Richard was named UK Business Charity Champion by Third Sector in 2010 for raising £2 million for charitable causes.

07 Lawrence Christensen CBE (68)

Non-executive Director

Lawrence Christensen was appointed as a Non-executive Director on 1 November 2011. He has spent 30 years in the retailing industry, 25 of which have been at Board level. He was Group Operations Director at Safeway plc and joined the Board of J. Sainsbury plc at the time of the business turnaround, where he was primarily involved in solving many of the operational problems in both retail and supply chain operations. He was a Non-executive Director of Christian Salvesen until its sale to Norbert Dentressangle and was previously President of Freight Transport Association for four years. He currently acts as a Strategic Advisor and has carried out assignments with major businesses in the UK and Australia, and has been appointed Chairman of the Remuneration Committee. He is very involved with the Royal British Legion and their major fundraising activities. Lawrence was awarded a CBE in 1999.

Note: The Directors named above comprise all of the Directors of JJB at the date of this report. For details of other Directors who served during the period under review, see the Corporate Governance report on page 16.

Governance

Board committees

The current members of the four principal Committees of the Board are as set out below

Audit Committee

David Adams (Committee Chairman)
Mike McTighe

Remuneration Committee

Lawrence Christensen (Committee Chairman)
David Adams
Matthew Pinsent
Richard Bernstein

Nominations Committee

Mike McTighe (Committee Chairman)
David Adams

CSR Committee

Richard Bernstein (Committee Chairman)
Matthew Pinsent
Keith Jones

Notes

- > Richard Bernstein joined the Remuneration Committee on 6 May 2011
- > The CSR Committee was formed on 6 May 2011
- > Lawrence Christensen joined the Remuneration Committee on 1 November 2011
- > The terms of reference of these Committees are summarised in the Corporate Governance report on pages 15 to 21 and on JJB's corporate website, www.jjbcorporate.co.uk
- > Dave Williams is secretary of each of these Committees

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Corporate Governance report

The Board of JJB is fully committed to high standards of corporate governance. This Report explains how the Company has applied the principles set out in the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 ("the Code") which applies to the Company in respect of the year under review, and the extent to which it has complied with the detailed provisions of the Code. A copy of the Code can be found at www.frc.org.uk/corporate/combinedcode.cfm. In May 2010 the Financial Reporting Council issued a new edition of the Code (called the UK Corporate Governance Code) which applies to financial years beginning on or after 29 June 2010. Notwithstanding the Company's move to the AIM market which occurred on 28 April 2011, it intends to continue to comply, to the extent that it is able, with the provisions of the Code as it is amended from time to time.

Compliance

The Board considers that the Company, which was a "smaller company" (meaning a company outside of the FTSE 350 throughout the year immediately prior to the reporting period) has complied with the provisions set out in Section 1 of the Code throughout the year under review.

The Board currently comprises seven Directors: the Non-executive Chairman, two Executive Directors and four Non-executive Directors. Their names, roles and brief biographical details are provided on page 13.

All of the Non-executive Directors, with the exception of the Chairman and Richard Bernstein, are considered by the Board to be independent and have no cross-directorships or significant links that could materially interfere with the exercise of their independent judgement. A Chairman is not considered to be independent for the purposes of the Code. Richard Bernstein is not considered to be independent as he was appointed to the Board following a nomination pursuant to a Relationship Agreement entered into between the Company and Crystal Amber Fund Limited dated 21 November 2010. Harris Associates L.P. has a right to appoint a Director to the Board which they have not exercised.

With effect from 1 October 2008, a Director has had a duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. The Board has adopted appropriate processes to manage any such conflicts following the necessary amendments to the Company's Articles of Association at the 2009 AGM.

The Directors

Full details of all current Directors are set out on pages 12 to 13. For details of other Directors who served during the period under review, see page 16.

All Directors are subject to retirement by rotation and re-election by the Company's shareholders in accordance with the Articles of Association. All new Directors appointed by the Board are required to be elected by shareholders at the first AGM following their appointment. Subsequently, at each AGM one-third of the Directors (or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one third) must retire, but will be eligible for re-election. Lawrence Christensen will be seeking election at the AGM and David Adams and Matthew Pinsent will be seeking re-election. The reasons why the Board believes that each of these continuing Directors should remain in office will be set out in the explanatory notes to the Notice of AGM.

The Company maintains liability insurance for its Directors and Officers and the level of cover is reviewed annually.

Performance evaluation

Owing to the number of significant events during the year, informal rather than formal Board performance evaluation was conducted during the year under review. Board performance evaluation will continue to be conducted. The extent to which this is formal or informal will be determined by the Chairman and the Board according to the available resources and business needs.

How the Board operates

The Board is responsible for the direction, management and performance of the Company. It determines corporate strategy and reviews both financial and operational performance against forecasts. The Board is the decision-making body for all matters material to the Group in strategic, financial and reputational terms. The Board has a formal schedule of matters specifically reserved to the Board for decision, including approval of the financial results, strategy and corporate objectives, significant transactions and matters affecting share capital. The Board delegates certain powers to a number of committees within written terms of reference.

Governance

Corporate Governance report continued

How the Board operates (continued)

Full and timely access to all relevant information is provided to all Directors via comprehensive Board papers, which are circulated in good time ahead of Board meetings. These include regular and up-to-date management accounts, detailed trading information, and reports from Executive Directors and papers on major issues for decision by the Board.

There is an established procedure whereby any Director may, in the furtherance of his duties, have access to independent professional advice and services at the Group's expense. The Chairman ensures that Board procedures are followed and that the Board seeks independent advice whenever necessary.

The Company Secretary, Dave Williams, is responsible for advising the Board on all governance matters and all Directors have access to the advice and services of the Company Secretary and the Company's legal counsel. The appointment and removal of the Company Secretary is a matter for the Board to decide. The Company Secretary acts as secretary to the Board and all of its principal committees.

All newly appointed Directors receive a tailored induction when they join the Board or a Committee. The continuing professional development needs of each Director will be reviewed and, where appropriate, relevant training will be made available.

Board and Committee meetings

The Board normally holds 10 scheduled Board meetings each year, but during the period under review, owing to the intense activity required as a result of the events during the year, the Board met formally 21 times and on many other occasions on a less formal basis.

The following table shows the number of formal Board and Committee meetings held during the year and the attendance record of the individual Directors holding office during the period. The maximum number of meetings a Director could attend as a Board/Committee member is shown in brackets.

Number of meetings	Board of Directors 21	Audit Committee 2	Remuneration Committee 5
Current Directors			
Mike McTighe	21 (21)	1 (2)	–
Keith Jones	21 (21)	–	–
Dave Williams	21 (21)	–	–
David Adams	19 (21)	2 (2)	5 (5)
Richard Bernstein ¹	9 (9)	–	2 (2)
Matthew Pinsent	14 (21)	–	4 (5)
Lawrence Christensen ²	4 (4)	–	0 (0)
Former Directors			
Richard Manning ³	15 (15)	–	–
Alan Benzie ⁴	11 (15)	1 (1)	5 (5)

Notes

1 Appointed to the Board and the Remuneration Committee on 6 May 2011

2 Appointed to the Board and the Remuneration Committee on 1 November 2011

3 Resigned on 8 July 2011

4 Resigned on 8 July 2011

No meeting of the Nominations Committee was necessary during the accounting period.

There was no meeting of the CSR Committee during the accounting period.

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Board Committees

During the period under review, the Board had established four principal Board Committees to which it has delegated certain of its responsibilities. Each operates within clearly defined terms of reference which are available at www.jjbcorporate.co.uk. These Committees are described below.

Audit Committee

The Audit Committee met twice during the year. The Committee was chaired by Alan Benzie until his retirement in July 2011 when he was replaced by David Adams. The other Committee member is currently Mike McTighe. The Chief Executive Officer, the Chief Financial Officer, senior executives and the Group's external auditors also attend meetings of the Committee at the invitation of the Committee chairman.

The Committee's responsibilities include:

- > Monitoring the integrity of the Group's Financial statements,
- > Reviewing the effectiveness of the Group's internal controls, risk management systems and financial reporting processes,
- > Reviewing the independence and objectivity of the external auditor, the services they provide, and the scope of their audit work and related fees, along with a review of their reported findings, and
- > Making recommendations to the Board on the appointment, retirement and removal of the external auditor.

Auditor independence

Deloitte LLP has reported to the Audit Committee that, in their professional judgement, they are independent and that the objectivity of the audit partner and audit staff is not impaired. The Audit Committee has reviewed this Report and agrees with its conclusion and is satisfied that Deloitte LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. The Audit Committee is aware that providing audit and non-audit advice could lead to a potential conflict of interest. The level of fees paid to Deloitte LLP for non-audit services has been considered by the Audit Committee and is not perceived to be in conflict with auditor independence. In order to ensure the continued independence and objectivity of the external auditor, there is an established policy regarding the provision of non-audit services.

Remuneration Committee

The Remuneration Committee met five times during the year. The Committee was chaired by David Adams until the appointment of Lawrence Christensen as Chairman during February 2012. The other members in addition to David Adams are currently Matthew Pinsent and Richard Bernstein. Alan Benzie also served as a member of the Committee until his retirement in July.

The Committee's responsibilities include:

- > Determining the overall Group remuneration policy,
- > Determining the individual remuneration packages of Executive Directors based on their performance during the year and giving guidance on remuneration packages for senior executives,
- > Making incentive awards under the Company's various incentive plans,
- > Approving disclosures relating to executive remuneration in the Annual Report, and
- > Agreeing the terms of service agreements for Executive Directors.

Further details about Directors' remuneration are set out in the Directors' Remuneration report on pages 25 to 29.

Nominations Committee

The Nominations Committee did not meet during the year. The Committee's chairman is Mike McTighe and its only other current member is David Adams. Alan Benzie also served as a member of the Committee during the year under review. Two Non-executive Directors have joined during the year, but these appointments had been largely agreed during the previous accounting period.

The Committee's responsibilities include:

- > Reviewing the structure, size and composition of the Board,
- > Making recommendations to the Board regarding any changes to the Board's composition,
- > Identifying and nominating (for Board approval) candidates to fill any vacancies on the Board,
- > Reviewing succession plans for both Executive and Non-executive Directors, and
- > Reviewing the membership of Board Committees.

Governance

Corporate Governance report continued

Nominations Committee (continued)

The process for appointing new Directors involves creating a short-list of potential candidates for any vacant position. Usually, this is done by the Chairman of the Committee after discussions with a range of senior retail trade executives and professional advisers. External search consultants are engaged where appropriate. These candidates are then interviewed by the members of the Committee before the Committee makes the decision who to nominate to the Board as their preferred candidate for the vacant position.

CSR Committee

Upon the appointment of Richard Bernstein as a Non-executive Director on 6 May 2011, the Board resolved to constitute a CSR Committee to further the Company's activities in the Community with a particular emphasis on charitable issues. The Committee currently comprises of Richard Bernstein as Chairman, Matthew Pinsent and Keith Jones.

The activities and terms of reference of this Committee include

- > Ensuring that the Company's corporate social responsibility remains an integral part of the corporate strategy,
- > Recognising the impact of the Group's activities on third parties and society in general,
- > Recommending policies on all key areas of CSR,
- > Monitoring compliance with the CSR policies including reviewing performance against agreed targets, and
- > Identifying material risk areas and mitigating such risks.

Internal Control and Risk Management

The Board has applied Code provision C 2.1 which requires that it should, at least annually, conduct a review of the effectiveness of the Group's system of internal controls and should report to shareholders that they have done so. It also requires the review to cover all material controls, including financial, operational and compliance controls and risk management systems. This process has been in place from the start of the year to the date of approval of the Financial statements.

Furthermore, Code provision C 3.5 states that the Audit Committee should monitor and review the effectiveness of a company's internal audit activities. Where there is no internal audit function, the Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the Annual Report.

The Company has an internal audit function which is led by the Head of Audit and Risk Management. The internal control framework encompasses both financial and non-financial controls, the effectiveness of which is regularly reviewed by the Board and by senior executives. This framework forms an important part of the process of embedding internal control and risk management into the operations of the Company's business.

Any system of internal control can only provide reasonable and not absolute assurance that all significant business risks will be fully mitigated. However, by ensuring that the system of internal control reflects the risk environment in which the Group operates, the new systems should provide adequate assurance that the principal risks facing the Group are properly managed.

Staff can raise concerns regarding any impropriety over financial reporting or other matters through a "whistle blowing" policy. The Board has recently taken steps to improve this process.

It is the Board's firm intention that the risk management processes and internal controls will be continuously reviewed for effectiveness and assessed by them.

The Board also takes into consideration any matters raised by the Audit Committee. The Audit Committee will continue to review in detail both the effectiveness and level of resources available within the Group to manage risk and monitor control efficiency of the new internal audit function.

The Company has continued to identify weaknesses and inefficiencies in many of the Company's processes, including particularly the buying and merchandising and supply chain functions. These have been addressed by the new Trading Director and improvements have started to show, although this is an area that will be closely monitored as the Company continues its focus on the process and people aspects of the identified areas.

The control of working capital as well as costs and the management of cash has improved significantly during the year.

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Internal Control and Risk Management (continued)

Deloitte LLP has been the external auditor since August 2002. The Audit Committee assesses and considers the frequency of changing auditor based on their assessment of the audit, and rotation of audit partner, the most recent of which occurred in the previous accounting period. No contractual obligations exist which restrict the Audit Committee's choice of auditor.

Non-audit services in the period predominantly relate to work required as a result of Deloitte LLP's role as auditor, or work more efficiently completed by the Group's auditor. Reporting accountants' services include necessary work related to the Capital Raisings and CVA. That work was best performed by the Group's auditor because of their knowledge of the Group.

Alternative Investment Market (AIM)

During the period the Company's listing on the main market of the London Stock Exchange was cancelled and its shares were admitted to AIM on 28 April 2011.

Relations with shareholders

The Group is committed to maintaining an active dialogue with its shareholders in order to build a mutual understanding of its objectives and this is particularly so following the First and the Second Firm Placing and Placing and Open Offer and the appointment to the Board of Richard Bernstein, the four largest shareholders in the Company now hold approximately 89 per cent of the issued shares in the Company and the Board ensures that it continues to communicate with them regularly. The Board invites institutional shareholders and analysts to briefings after the announcement of the Company's interim and annual results. There is also regular dialogue with individual institutional investors, fund managers and analysts. The Senior Independent Non-executive Director is available to act as a conduit to the Board for communication of shareholder concerns when other channels of communication are inappropriate.

The Board has direct communication with private shareholders, particularly through publication of the interim and annual results.

The AGM is used as an opportunity to gather the views of shareholders and to answer the questions of both private and institutional investors on all issues relevant to the Group. Save in exceptional circumstances, all Directors attend the Company's AGM and the chairmen of the Board's Audit, Remuneration, Nominations and CSR Committees are usually available to answer shareholders' questions regarding the activities of those Committees.

The Group's corporate website, www.jjbcorporate.co.uk, also includes an area dedicated to corporate information, including annual and interim reports, press releases, share price histories, Group news and certain Group policy documents.

Going concern

In determining the appropriate basis of preparation of the Annual Report, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, that is for at least 12 months from the date of signing of this report. After making enquiries, and considering the matters which are described in this Annual Report, the Directors have concluded that they have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. However, the Directors have concluded that there are material uncertainties facing the business.

During 2011, the Group successfully completed a number of key steps to refinance the business and reduce the cost base through a Company Voluntary Arrangement. These steps were fully disclosed in our 2011 Annual Report. During the year, the Group also commenced to implement its turnaround programme and has disclosed key elements of its progress in the Chief Executive's review on pages 3 to 8.

The Group continues to make progress with its turnaround programme and on 20 February 2012 announced that cash margins were improving and that the second half performance was stronger than the first half. However, progress has not been as rapid as originally envisaged and whilst trading remains challenging, in order to expedite the turnaround and take advantage of the opportunities presented by the key trading periods of the UEFA Euro Championships and the London 2012 Olympics, the Group has sought and agreed the terms of a strategic investment from Dick's, a new strategic partner, and also agreed a package of further support from the Group's other key investors and stakeholders.

Governance

Corporate Governance report continued

Going concern (continued)

The Board decided to accept a strategic investment from Dick's as, in addition to the significant capital resources to be provided, the Board is of the view that the introduction of Dick's as a strategic partner will enable the Company to draw upon Dick's valuable experience in the sports retail market, which, in turn, will assist management in accelerating the Group's revised business plan. Dick's is an authentic full-line sporting goods retailer based in the USA, offering a broad assortment of brand name sporting goods equipment, apparel and footwear in a specialty store environment.

The Company intends to raise £30 million (before expenses) in aggregate by way of the exercise of 2011 Warrants and the issue of the Subscription Shares and the First Convertible Loan Notes, conditional, among other things, upon the passing of the Subscription Resolutions at the General Meeting.

The Company's four largest shareholders, and Dick's, have entered into a Subscription Agreement with the Company pursuant to which:

- > The four largest shareholders have agreed to exercise 2011 Warrants resulting in the issue of 22,712,894 Warrant Shares at an exercise price of 10 pence per share,
- > The four largest shareholders and Dick's have agreed to subscribe for a total of 89,787,106 Subscription Shares at 10 pence per share, and
- > Dick's has agreed to subscribe for the First Convertible Loan Notes in an aggregate principal amount of £18.75 million and has been granted the right (but does not have the obligation) to subscribe for the Second Convertible Loan Notes in an aggregate principal amount of up to £20 million, in each case subject to the terms and conditions set out in the Convertible Loan Note Instrument.

On 4 April 2012, the Board also announced that it had reached agreement with BoS, the Company's lender, regarding the continued provision of the BoS Facility through to 31 May 2015, an agreement with adidas Group, one of the Company's key supplier partners, for the provision of a loan of up to £15 million (of which £8.4 million will be available for drawdown in the first year following the successful £30 million fundraising) and the terms of an intercreditor arrangement with BoS, Dick's and adidas Group, each agreement subject to completion of the Subscription and the satisfaction of certain other conditions precedent.

The strategic investment and financing package will not address the medium term financing requirements of the Group and accordingly the Company currently believes that it will require additional funding in the first quarter of 2013. Whilst this additional funding is not committed, the further round of funding is expected to be provided through:

- > the subscription by Dick's for the Second Convertible Loan Notes in the aggregate principal amount of £20 million (that Dick's has the right (but not the obligation) to subscribe for under the terms of the Subscription Agreement),
- > a further share offering of new Ordinary Shares, to the extent permitted by law and regulation, to all of the Company's shareholders to raise the aggregate sum of £5 million, and
- > the continued support of BoS and the second tranche of the loan from adidas Group, amounting to £6.6 million, being made available for drawdown by the Company.

Shareholder approval will be required for the issue of the various securities and to obtain approval from the Takeover Panel for the level of Dick's future holdings (being up to a maximum of 61 per cent of the Company's voting share capital). The shareholder vote to approve this transaction will take place on 26 April 2012. If the shareholder vote is not passed by Shareholders at the General Meeting and the transaction does not proceed, the Company will be in default of the current BoS Facility and the Amended BoS Facility and the adidas Loan Agreement will not become effective. In these circumstances, and in the absence of any other funding proposal given the limited headroom in the Group's short term cash flow forecasts, the Directors would be likely to conduct a formal sale process for the Company. However, if a purchaser cannot be found for the Company under the formal sale process, the Directors believe that the Company will not be able to continue to trade as a going concern which would result in the appointment of receivers, liquidators or administrators.

If the transaction is approved, the Directors are confident that this package of support will provide the Group with a solid platform from which to deliver growth over the key trading periods of the UEFA Euro Championships and the London 2012 Olympics. However our view remains that the UK retail market continues to be extremely challenging and is likely to remain so for some time.

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Going concern (continued)

As part of their going concern assessment, the Directors have reviewed trading and cash flow forecasts which take into consideration the uncertainties in the current operating environment. The Directors have now concluded that there are material uncertainties surrounding going concern. These material uncertainties are

- > securing the pre-requisite approval from Shareholders of the Resolutions,
- > the ability of the Group to continue to implement its business recovery turnaround strategy in light of
 - the current macroeconomic environment and its impact on consumer confidence and the UK retail sector
 - this uncertain and volatile outlook in the UK economy results in difficulties in forecasting sales performance in the short and medium term, and
 - the Group's current stock profile which has been affected by management's control of cash and available resources with the result that the Group's intake, availability, stock holding and profile of stock continue to be substantially lower than it should be

Both of these factors are critical to the achievability of the Group's business plan, which will be a vital factor in maintaining sufficient headroom on cash and covenants, but also an important factor in determining the timing of the additional funding expected to be required in the first quarter of 2013, and

- > if the pre-requisite approval from Shareholders of the Resolutions is not secured, securing ongoing support from BoS to continue to trade whilst alternative support is sought

The Group's short-term cash flow forecasts indicate that the Group will not experience a funding shortfall before the expected date of receipt of the net proceeds of the Subscription on or around 27 April 2012. However, the headroom available to the Company in the period leading up to 27 April 2012 is very limited and management must continue to carefully control its cash and available resources during this period.

Based on the commercial basis of this transaction which is to the benefit of the shareholders, the Directors have no reason to believe that the vote will not proceed with a majority. Having regard to the factors set out in this going concern assessment, the Directors have a reasonable expectation that, should the investment proceed, the Group will be in a position to deliver its turnaround strategy.

The Directors have identified a number of management initiatives that the business could pursue and which they are confident it can achieve to help offset a potential decline in trading including

- > further cost reductions in addition to the current cost reduction programme,
- > an improvement in its stockholding and/or extending terms with suppliers,
- > management of capital expenditure, and
- > the disposal of certain stores or operating units

The Directors have concluded that the combination of the circumstances set out above represents a material uncertainty which may cast significant doubt upon the Company's and the Group's ability to continue as a going concern and therefore the Company and Group may be unable to continue to realise assets and discharge liabilities in the normal course of business. However, given the strategic investment and financing package that the Company is announcing today, the Board has concluded that they have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and Financial statements. This Annual Report does not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Mike McTighe
Chairman
4 April 2012

Governance

Directors' report

Annual Report

The Directors of JJB Sports plc present their Annual Report on the affairs of the Group, together with the Financial statements and auditors' report for the 52 week period ended 29 January 2012

Principal activities

JJB Sports is a multi-channel sports retailer supplying branded sports and leisure clothing, footwear and accessories. Full details of the Group's activities can be found in the Chief Executive's review on pages 3 to 8

Business review

The Company is required by the Companies Act to include an Business review in this report. The requisite information is included in the following sections, which are deemed to be incorporated into this report by reference

- > Chairman's statement on pages 1 to 2,
- > Chief Executive's review on pages 3 to 8,
- > Corporate Governance report on pages 15 to 21, and
- > Directors' Remuneration report on pages 25 to 29

Events after the period end

Details of important events affecting the Company occurring since the period end are set out in note 42 of the Notes to the Financial statements

Results and dividends

Group losses from continuing operations after taxation and after exceptional items were £101.1 million (2011: loss £181.4 million). Losses from continuing operations before exceptional items were £56.2 million (2011: loss £73.9 million). No interim dividend was paid during the period and the Directors cannot recommend a final dividend for the period (2011: nil)

Financial instruments

Information on the Company's use of financial instruments, its financial risk management objectives and policies and the exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk is provided in the Chief Executive's review on pages 3 to 8 and in note 39 of the Notes to the Financial statements

Share capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 26 of the Notes to the Financial statements. The Company has two classes of share, Ordinary Shares and Deferred Shares. The Ordinary Shares carry no right to fixed income and each Ordinary Share carries the right to one vote at general meetings of the Company. The Deferred Shares carry no rights.

The Company has issued Warrants to subscribe for Ordinary Shares. Details are in note 26 of the Notes to the Financial statements.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital.

Details of employee share schemes are set out in note 27 of the Notes to the Financial statements and in the Directors' Remuneration report on pages 25 to 29. The provisions of the Company's share schemes and plans may cause options and awards granted under such schemes and plans to vest on a takeover.

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Directors' powers

Subject to any statutory provisions and the Company's Memorandum of Association, the Articles

- > enable the Directors to exercise all the powers of the Company,
- > allow the Directors to delegate any of their powers, authorities and discretions to any Executive Director and to delegate any of their powers or discretions to committees consisting of one or more Directors,
- > authorise the Company to purchase all or any of its own shares (subject to certain restrictions), and
- > authorise the Directors to allot unissued shares or to grant options or rights of subscription or conversion over unissued shares

Directors

The names, roles and brief biographical details of the current Directors are set out on page 13. The names of other Directors who served during the year together with full details of Board changes are contained in the Corporate Governance report on pages 15 to 21.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders at a general meeting.

The interests of the Directors in the Ordinary Shares of the Company at the period end (together with details of any subsequent changes) are set out in the Directors' Remuneration report on pages 25 to 29.

Contracts

The Group confirms that there are no persons with whom the Group has contractual or other arrangements which the Group considers are essential to its business. Furthermore, there are no significant agreements to which the Group is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

Substantial Shareholders

At the date of this report the Company has been notified, in accordance with the Disclosure and Transparency Rules as they relate to companies listed on the AIM Market, of the following interests in the voting rights attached to the Company's Ordinary Shares:

	Number of shares in which there is an interest	Interest in issued share Capital (%)
Invesco Asset Management Limited	138,839,516	47.34
Harris Associates L.P.	86,527,225	29.50
Crystal Amber Fund Limited	20,889,701	7.12
Bill and Melinda Gates Foundation Trust	14,622,722	4.99

Charitable and political donations

Charitable donations of £10,037 (2011: £7,530) were made by the Group during the year. Details are given in the Corporate responsibility report on pages 9 to 11. No political donations or contributions were made during the current or previous accounting period.

Supplier payment policy

The Group's policy for the payment of suppliers is to agree terms of payment with suppliers at the time when orders are placed. Payment is then made in accordance with the agreed terms. At 29 January 2012, the number of days' purchases included in the amounts owing to trade creditors in the Group and Company was 51 days (2011: 76 days), based on the ratio of trade creditors at the end of the accounting period to the amounts invoiced during the accounting period to trade creditors.

Governance

Directors' report continued

Statement as to disclosure of information to Auditor

Pursuant to section 418 of the Companies Act 2006, each Director of the Company confirms that (a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and (b) that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. For these purposes, relevant audit information means information needed by the Company's auditor in connection with preparing their report set out on pages 31 to 32.

Annual General Meeting

Details of the Company's AGM to be held in 2012 are set out in the Notice of AGM being sent to shareholders, a copy of which will be available on the Company's website.

By Order of the Board



Dave Williams
Company Secretary
4 April 2012

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Directors' remuneration report

Introduction

As an AIM listed company, the Company is not required to comply with Schedule 8 of the Companies Act, however in accordance with AIM Notice 36 has provided, on page 27, the necessary disclosure of Directors' remuneration earned in respect of the financial year by each Director of the Company acting in such capacity during the financial year. The Directors also feel it is appropriate to provide the following information to shareholders.

The Remuneration Committee

The terms of reference of the Remuneration Committee are summarised in the Corporate Governance report on pages 15 to 21. The names of the current members of the Remuneration Committee and the changes to membership made during the year are set out under 'Board Committees' on page 14.

No Director participates in the determination of his own remuneration package.

No performance-related bonuses were paid to any current Executive Directors in respect of the 52 week period ending 29 January 2012, although bonuses from prior years were paid (as disclosed on page 27).

Unaudited information

2006 Long Term Incentive Plan ("LTIP")

The 2006 Long Term Incentive Plan provides for the grant of awards over Ordinary Shares as nil price options or awards of restricted shares. Awards granted under the plan will normally vest on the third anniversary of the date of grant provided that the performance target specified at the time of the award has been satisfied and that the Remuneration Committee is satisfied that the underlying performance of the Group justifies the release of shares. Awards may be released in certain good leaver circumstances on the normal vesting date but subject to pro-rating for the period the award has been held and to the extent that the performance target is achieved. The Remuneration Committee may determine that awards shall be released early in certain other leaver circumstances. Awards may also be released early upon a change of control or reconstruction of the Company subject to satisfaction of the performance target and the Remuneration Committee being satisfied that the underlying performance of the Group justifies the release of the Ordinary Shares.

Senior Executive Incentive Plan ("EIP")

Following the Capital Raisings, CVA and transfer to the Alternative Investment Market ("AIM") carried out during the 52 week period ended 29 January 2012, a new equity incentive plan was implemented.

The key terms of the plan, as proposed by the Remuneration Committee and passed at a General Meeting on 21 September 2011, are as follows:

- > Share awards will be granted to members of the Company's leadership team comprising the key executives and selected senior executives comprising members of the operating board, together with Mike McTighe and David Adams, both of whom are Non-executive Directors and have played a material part in the recent Capital Raisings and restructuring. In addition, they will play a major role in the success of the turnaround plan going forwards. The existing award to Keith Jones under the 2006 LTIP will be surrendered.
- > Ordinarily, no shares will vest unless the Company's market capitalisation after five years is £123.16 million. This represents the amount of new capital raised in the two Capital Raisings (£96.5 million) increased by 5 per cent per annum (the hurdle rate).
- > Vesting occurs on the fifth anniversary of the date on which the Company's shares were admitted to trading on AIM.
- > However, full vesting may occur earlier if the Company's market capitalisation reaches £193 million for a period of 60 consecutive dealing days.
- > Ordinarily, participants must wait for 12 months following vesting before they may realise any value from their awards and have until the seventh anniversary of the date the Company's shares were admitted to trading on AIM.
- > The plan will allocate to participants up to 20 per cent of the growth in market capitalisation beyond the new capital raised, increased by the hurdle rate up to the point of vesting.
- > There is an upper limit on the number of shares that may be issued or transferred to satisfy awards under the EIP of 15 per cent of Company's current issued Ordinary Share capital, and
- > The plan will contain limited vesting provisions for participants who leave in certain specified circumstances
- > Other leavers will forfeit their rights.

Governance

Directors' remuneration report continued

Senior Executive Incentive Plan ("EIP") (continued)

As at today's date, no awards had been granted to the participants but it was intended that all awards would be made by 31 December 2012, or later where there was an exceptional need to recruit an individual into a key position identified by the Board, in consultation with the Company's major shareholders

The exceptional awards were designed to incentivise members of the executive team to achieve a percentage growth of total shareholder return (TSR), defined as share price plus dividends reinvested from the day of entitlement (ex dividend day), over a three year performance period

As part of the strategic investment and financing package, the Company has announced today that the Board has resolved it would be inappropriate to grant any awards under the EIP

Pensions

Certain of the Executive Directors who served during the year chose to make contributions to their own personal pension schemes and the Company contributed an amount into those schemes. Other Directors chose to have an equivalent sum paid in cash. Others chose a combination. Details are set out in the table on page 27

Taxable Benefits

Executive Directors are eligible for taxable benefits, which include

- > Membership of a private medical scheme, and
- > The provision of a company car (with running costs, including private mileage) or the payment of an annual car allowance in equal monthly instalments

Where a Director has been recruited on the basis that his home is beyond daily travelling distance to the Company's Retail Support Centre in Wigan, travel costs to and from home to the Retail Support Centre and accommodation and subsistence costs whilst in Wigan, are payable by the Company

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Directors' Remuneration

Details of individual Directors' remuneration for the accounting period are as follows

	£'000 Basic salary/ fees	£'000 Car allowance	£'000 Bonus	£'000 Taxable benefits ¹	£'000 Pension contributions	£'000 Termination payments	£'000 2012 Total	£'000 2011 Total
Executive Directors								
Keith Jones	375	20	–	1	94	–	490	620
Dave Williams	200	20	–	1	31	–	252	10
Executive Directors leaving the Board during the year								
Richard Manning	88	9	–	1	36	303 ²	437	251
Non-executive Directors								
Mike McTighe (Chairman)	150	–	–	–	–	–	150	16
David Adams	60	–	–	–	–	–	60	52
Richard Bernstein ³	30	–	–	–	–	–	30	–
Lawrence Christensen ⁴	10	–	–	–	–	–	10	–
Matthew Pinsent	40	–	–	–	–	–	40	40
Non-executive Directors leaving the Board during the year								
Alan Benzie	20	–	–	–	–	–	20	45
Total 2012	973	49	–	3	161	303	1,489	1,034

Notes

1 The taxable benefits received by each of the Executive Directors are detailed on page 26

2 This includes a prior year performance bonus paid during March 2011

3 Richard Bernstein was appointed on 6 May 2011. The fees are paid to Crystal Amber of which he is a representative

4 Lawrence Christensen was appointed on 1 November 2011

Governance

Directors' remuneration report continued

Directors' interests

A Share Options and Share Awards

Directors' beneficial interests in the Company's share option and award schemes at the beginning and end of the accounting period (or on appointment if later) were as follows

		Number of 1p Ordinary Shares				Exercise price per share (pence)	Date from which exercisable	Exercise expiry date
Executive Directors at period end	Scheme	As at 29 January 2012	Granted during period	Lapsed during period	As at 30 January 2011			
Keith Jones	2006 LTIP	750,000	–	–	750,000	–	02 06 13	01 06 20
Dave Williams	2006 LTIP	–	–	–	–	–		
Total		750,000	–	–	750,000	–		
Executive Directors leaving or changing status during the year								
Richard Manning	2006 LTIP	–	–	(592,256)	592,256	–	05 11 12	04 11 19
Total		–	–	(592,256)	592,256	–		
Grand total		750,000	–	(592,256)	1,342,256	–		

Note: Number of Ordinary Shares adjusted in all cases to take account of the Capital Reorganisation

The performance conditions attached to awards under the 2006 LTIP are described on pages 25 to 26

The period over which the performance conditions attached to awards to Keith Jones under the 2006 LTIP is measured is from 2 June 2010 to 2 June 2013

The key terms and details of the grants under the new Executive Incentive Plan were set out in the circular dated 5 September 2011. No grants had been made under the plan as at the period end. Participation in the EIP would have excluded participants from holding or receiving awards under any of the other long-term incentive plans. The Remuneration Committee will reconsider incentive plans in due course.

No options or awards were exercised during the accounting period or between the end of the accounting period and the date of this report.

A third invitation to apply for shares under the Group Sharesave plan was made in November 2010, and the scheme commenced on 1 February 2011. Of the current Directors, Keith Jones had applied for options of 11,583 shares (after the Capital Reorganisation) and had cancelled all previous Sharesave options held.

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B Ordinary Shares

The interests of the Directors and their connected persons in the Ordinary Shares of the Company at the beginning of the accounting period (or date of appointment if later) and at the end of the accounting period are set out below

Directors at the period end	29 January 2012		30 January 2011	
	Number of ordinary shares		Number of ordinary shares	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
David Adams	10,000	–	10,000	–
Richard Bernstein*	–	172,363,878	–	–
Lawrence Christensen	–	–	–	–
Keith Jones	71,000	–	71,000	–
Mike McTighe	40,000	–	40,000	–
Matthew Pinsent	–	–	–	–
Dave Williams	–	–	–	–
Total	121,000	172,363,878	121,000	–

Note: Number of Ordinary Shares adjusted to take account of the Capital Reorganisation

* Richard Bernstein is interested in the Ordinary Shares and the Warrants to subscribe for Ordinary Shares held by Crystal Amber Fund Limited and by Invesco Asset Management Limited

There have been no changes in the currently serving Directors' interests since the end of the accounting period and the date of this report

On behalf of the Board



Lawrence Christensen
Chairman of the Remuneration Committee
4 April 2012

Governance

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the Parent Company Financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial statements, International Accounting Standard 1 requires that Directors

- > Properly select and apply accounting policies,
- > Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- > Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- > Make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge

- > The Financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- > The management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board


Keith Jones
Chief Executive Officer
4 April 2012


Dave Williams
Chief Financial Officer
4 April 2012

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Independent auditor's report

to the members of JJB Sports plc

For the 52 weeks to 29 January 2012

We have audited the Financial statements of JJB Sports plc for the period ended 29 January 2012 which comprise the Consolidated statement of financial performance, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Consolidated statement of cash flow, the Company statement of financial position, the Company statement of cash flow, the Statement of accounting policies and the related notes 1 to 42. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial statements sufficient to give reasonable assurance that the Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial statements

In our opinion:

- > the Financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 January 2012 and of the Group's loss for the period then ended,
- > the Group Financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- > the Parent Company Financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- > the Financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the Financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of accounting policies on pages 40 to 42 of the Financial statements concerning the Company's ability to continue as a going concern. This disclosure includes the following material uncertainties:

- > securing the pre-requisite approval from Shareholders of the Resolutions,
 - > the ability of the Group to continue to implement its business recovery turnaround strategy in light of
 - the current macroeconomic environment and its impact on consumer confidence and the UK retail sector, this uncertain and volatile outlook in the UK economy results in difficulties in forecasting sales performance in the short and medium term, and
 - the Group's current stock profile which has been affected by management's control of costs and available resources with the result that the Group's intake, availability, stock holding and profile of stock continue to be substantially lower than it should be.
- Both of these factors are critical to the achievability of the Group's business plan, which will be a vital factor in maintaining sufficient headroom on cash and covenants, but also an important factor in determining the timing of the additional funding expected to be required in the first quarter of 2013.
- > if the pre-requisite approval from Shareholders of the Resolutions is not secured, securing ongoing support from BoS to continue to trade whilst alternative support is sought.

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Independent auditor's report

to the members of JJB Sports plc continued

For the 52 weeks to 29 January 2012

These conditions, along with the other matters explained in basis of preparation note to the Financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial statements are prepared is consistent with the Financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- > adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- > the Parent Company Financial statements are not in agreement with the accounting records and returns, or
- > certain disclosures of Directors' remuneration specified by law are not made, or
- > we have not received all the information and explanations we require for our audit.

Other matters

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Company a quoted company.

Although not required to do so, the Directors have voluntarily chosen to make a Corporate Governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed:

- > the Directors' statement, contained within the Corporate Governance statement, in relation to going concern,
- > the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- > certain elements of the report to shareholders by the Board on Directors' remuneration.


Sharon Fraser, ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
4 April 2012

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Consolidated statement of financial performance

For the 52 weeks to 29 January 2012

	Notes	52 weeks to 29 January 2012 Total £'000	52 weeks to 30 January 2011 Total £'000
Continuing operations			
Revenue	3	284,206	362,894
Cost of sales		(182,722)	(238,020)
Gross profit		101,484	124,874
Other operating income	3	2,682	1,848
Distribution expenses		(16,732)	(20,810)
Administration expenses		(21,800)	(24,075)
Selling expenses		(169,084)	(263,649)
Operating loss		(103,450)	(181,812)
Adjusted operating loss		(56,242)	(73,856)
Exceptional items – goodwill impairment		–	(92,610)
– other exceptional items	5	(47,208)	(15,346)
Operating loss		(103,450)	(181,812)
Investment income	8	113	512
Finance costs	9	(566)	(1,162)
Finance costs are stated after charging			
Exceptional bank arrangement fees and charges	9	–	(100)
Fair value adjustments to derivative instruments		3,048	1,919
Debt issue costs		(274)	(822)
Loss before taxation	6	(101,129)	(181,365)
Taxation	10	–	–
Loss after taxation for the period attributable to equity holders of the Parent Company		(101,129)	(181,365)
Loss per share	13		
From continuing operations			
Basic loss per Ordinary Share*	Pence	(40.40)	(72.45)
Diluted loss per Ordinary Share*	Pence	(39.00)	(72.45)

* The prior year figures for Basic and Diluted loss per Ordinary Share have been represented to take into consideration the capital raises which occurred in the current period. See note 13 for further details on the retrospective adjustment to loss per Ordinary Share.

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Consolidated statement of comprehensive income

For the 52 weeks to 29 January 2012

	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Loss after taxation for the period	(101,129)	(181,365)
Exchange loss on translation of foreign operations	(126)	(662)
Other comprehensive income for the period	(126)	(662)
Total comprehensive income for the period	(101,255)	(182,027)

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Consolidated statement of changes in equity

For the 52 weeks to 29 January 2012

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Share based payment reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
At 31 January 2010	32,542	174,055	1,069	(3,083)	448	(41)	18,563	223,553
Loss for the period	-	-	-	-	-	-	(181,365)	(181,365)
Exchange differences on translation of foreign operations	-	-	-	-	-	(662)	-	(662)
Total comprehensive income for the period	-	-	-	-	-	(662)	(181,365)	(182,027)
Credit to equity for equity-settled share based payment	-	-	-	-	2,545	-	-	2,545
At 30 January 2011	32,542	174,055	1,069	(3,083)	2,993	(703)	(162,802)	44,071
Loss for the period	-	-	-	-	-	-	(101,129)	(101,129)
Exchange differences on translation of foreign operations	-	-	-	-	-	(126)	-	(126)
Total comprehensive income for the period	-	-	-	-	-	(126)	(101,129)	(101,255)
Credit to equity for equity-settled share based payment	-	-	-	-	1,710	-	-	1,710
Firm Placing and Placing and Open Offers	2,267	83,942	-	-	-	-	-	86,209
Exercise of warrants	15	224	-	-	-	-	-	239
At 29 January 2012	34,824	258,221	1,069	(3,083)	4,703	(829)	(263,931)	30,974

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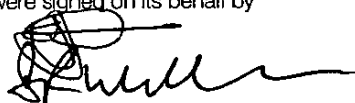
Consolidated statement of financial position

As at 29 January 2012

	Notes	As at 29 January 2012 £'000	As at 30 January 2011 £'000
Non-current assets			
Goodwill	14	13,796	13,796
Other intangible assets	15	10,405	20,175
Property, plant and equipment	16	46,091	64,859
		70,292	98,830
Current assets			
Inventories	18	47,302	52,725
Trade and other receivables	19	7,792	9,077
Cash and cash equivalents	20	4,638	5,859
		59,732	67,661
Total assets		130,024	166,491
Current liabilities			
Trade and other payables	21	(45,689)	(68,384)
Provisions	23	(6,488)	(6,636)
Derivative financial instruments	39	(958)	(113)
		(53,135)	(75,133)
Net current assets (liabilities)		6,597	(7,472)
Non-current liabilities			
Bank loans and overdrafts	22	(15,915)	(24,678)
Deferred lease incentives	25	(10,292)	(11,733)
Provisions	23	(19,708)	(10,876)
		(45,915)	(47,287)
Total liabilities		(99,050)	(122,420)
Net assets		30,974	44,071
Equity			
Share capital	26	34,824	32,542
Share premium account	28	258,221	174,055
Capital redemption reserve	29	1,069	1,069
Investment in own shares	30	(3,083)	(3,083)
Share based payment reserve	31	4,703	2,993
Foreign currency translation reserve	32	(829)	(703)
Retained losses	33	(263,931)	(162,802)
Total equity		30,974	44,071

The Financial statements of JJB Sports plc, Company no 1024895, were approved by the Board of Directors and authorised for issue on 4 April 2012. They were signed on its behalf by

K Jones Chief Executive Officer
D Williams Chief Financial Officer



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Consolidated statement of cash flow

For the 52 weeks to 29 January 2012

	Notes	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £ 000
Net cash outflow from operating activities	35	(78,570)	(71,895)
Cash flows from investing activities			
Interest received		113	512
Proceeds on disposal of property, plant and equipment		18	155
Purchase of intangible assets	15	(972)	(1,100)
Purchase of property, plant and equipment	16	(2,862)	(4,089)
Net cash used in investing activities		(3,703)	(4,522)
Cash flows from financing activities			
Interest paid		(545)	(946)
Proceeds from issues of share capital		90,102	–
Exercise of warrants		239	–
Drawdown of current asset investment		–	168,117
Settlement of loan notes		–	(168,117)
Net proceeds from bank loans and bank overdrafts		16,216	25,000
Repayment of bank loan		(25,000)	–
Net cash from financing activities		81,012	24,054
Net decrease in cash and cash equivalents		(1,261)	(52,363)
Cash and cash equivalents at beginning of period		5,859	58,812
Effect of foreign exchange rate changes		40	(590)
Cash and cash equivalents at end of period	20	4,638	5,859

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Company statement of financial position

As at 29 January 2012

	Notes	As at 29 January 2012 £'000	As at 30 January 2011 £'000
Non-current assets			
Other intangible assets	15	10,405	20,175
Property, plant and equipment	16	40,225	50,765
Investments in subsidiaries	17	20,894	20,894
		71,524	91,834
Current assets			
Inventories	18	38,727	45,204
Trade and other receivables	19	14,753	12,426
Cash and cash equivalents	20	2,894	735
		56,374	58,365
Total assets		127,898	150,199
Current liabilities			
Trade and other payables	21	(177,139)	(213,419)
Provisions	23	(4,211)	(3,919)
Derivative financial instruments	39	(958)	(113)
		(182,308)	(217,451)
Net current liabilities		(125,934)	(159,086)
Non-current liabilities			
Bank loans and overdrafts	22	(15,915)	(24,678)
Deferred lease incentives	25	(8,429)	(9,629)
Provisions	23	(13,593)	(6,937)
		(37,937)	(41,244)
Total liabilities		(220,245)	(258,695)
Net liabilities		(92,347)	(108,496)
Equity			
Share capital	26	34,824	32,542
Share premium account	28	258,221	174,055
Capital redemption reserve	29	1,069	1,069
Investment in own shares	30	(3,083)	(3,083)
Share based payment reserve	31	4,703	2,993
Retained losses	33	(388,081)	(316,072)
Total equity		(92,347)	(108,496)

The Financial statements of JJB Sports plc, Company no 1024895, were approved by the Board of Directors and authorised for issue on 4 April 2012. They were signed on its behalf by

K Jones Chief Executive Officer
D Williams Chief Financial Officer



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Company statement of cash flow

For the 52 weeks to 29 January 2012

	Notes	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Net cash outflow from operating activities	35	(75,472)	(70,407)
Cash flows from investing activities			
Interest received		108	502
Proceeds on disposal of property, plant and equipment		10	155
Purchase of intangible assets	15	(972)	(1,100)
Purchase of property, plant and equipment	16	(2,527)	(2,350)
Net cash used in investing activities		(3,381)	(2,793)
Cash flows from financing activities			
Interest paid		(545)	(946)
Proceeds from issues of share capital		90,102	–
Exercise of warrants		239	–
Drawdown of current asset investment		–	168,117
Settlement of loan notes		–	(168,117)
Net proceeds from bank loans and bank overdrafts		16,216	25,000
Repayment of bank loan		(25,000)	–
Net cash from financing activities		81,012	24,054
Net increase (decrease) in cash and cash equivalents		2,159	(49,146)
Cash and cash equivalents at beginning of period		735	49,881
Cash and cash equivalents at end of period	20	2,894	735

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Statement of accounting policies

For the 52 weeks to 29 January 2012

Accounting period

Every accounting period ends on the Sunday which falls before, but closest to 31 January, resulting in accounting periods of either 52 or 53 weeks

Adoption of new and revised Standards

At the date of authorisation of the Financial statements the following standards and interpretations which have not been applied in these Financial statements, were in issue but not yet effective

IFRS 7	Disclosures – Transfer of Financial Assets – Amendment
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1	(amended) Presentation of Items of Other Comprehensive Income
IAS 12	(amended) Deferred Tax Recovery of Underlying Assets
IAS 19	(revised) Employee Benefits
IAS 27	(revised) Separate Financial Statements
IAS 28	(revised) Investments in Associates and Joint Ventures

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial statements of the Group

Basis of preparation

The Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and therefore the Group Financial statements comply with Article 4 of the EU IAS Regulation

The Financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below

Going concern

In determining the appropriate basis of preparation of the Annual Report, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, that is for at least 12 months from the date of signing of this Report. After making enquiries, and considering the matters which are described in this Annual Report, the Directors have concluded that they have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. However, the Directors have concluded that there are material uncertainties facing the business.

During 2011, the Group successfully completed a number of key steps to refinance the business and reduce the cost base through a Company Voluntary Arrangement. These steps were fully disclosed in our 2011 Annual Report. During the year, the Group also commenced to implement its turnaround programme and has disclosed key elements of its progress in the Chief Executive's review on pages 3 to 8.

The Group continues to make progress with its turnaround programme and on 20 February 2012 announced that cash margins were improving and that second half performance was stronger than the first half. However progress has not been as rapid as originally envisaged, and whilst trading remains challenging, in order to expedite the turnaround and take advantage of the opportunities presented by the key trading periods of the UEFA Euro Championships and the London 2012 Olympics, the Group has sought and agreed the terms of a strategic investment from Dick's, a new strategic partner, and also agreed a package of further support from the Group's other key investors and stakeholders.

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Going concern (continued)

The Board decided to accept a strategic investment from Dick's as, in addition to the significant capital resources to be provided, the Board is of the view that the introduction of Dick's as a strategic partner will enable the Company to draw upon Dick's valuable experience in the sports retail market, which, in turn, will assist management in accelerating the Group's revised business plan. Dick's is an authentic full-line sporting goods retailer based in the USA, offering a broad assortment of brand name sporting goods equipment, apparel and footwear in a specialty store environment.

The Company intends to raise £30 million (before expenses) in aggregate by way of the exercise of 2011 Warrants and the issue of the Subscription Shares and the First Convertible Loan Notes, conditional, among other things, upon the passing of the Subscription Resolutions at the General Meeting.

The Company's four largest shareholders, and Dick's have entered into a Subscription Agreement with the Company pursuant to which:

- > the four largest shareholders have agreed to exercise 2011 Warrants resulting in the issue of 22,712,894 Warrant Shares at an exercise price of 10 pence per share,
- > the four largest shareholders and Dick's have agreed to subscribe for a total of 89,787,106 Subscription Shares at 10 pence per share, and
- > Dick's has agreed to subscribe for the First Convertible Loan Notes in an aggregate principal amount of £18.75 million and has been granted the right (but does not have the obligation) to subscribe for the Second Convertible Loan Notes in an aggregate principal amount of up to £20 million, in each case subject to the terms and conditions set out in the Convertible Loan Note Instrument.

On 4 April 2012, the Board also announced that it had reached agreement with BoS, the Company's lender, regarding the continued provision of the BoS Facility through to 31 May 2015, an agreement with adidas Group, one of the Company's key supplier partners, for the provision of a loan of up to £15 million (of which £8.4 million will be available for drawdown in the first year) and the terms of an intercreditor arrangement with BoS, Dick's and adidas Group, each agreement subject to completion of the Subscription and the satisfaction of certain other conditions precedent.

The strategic investment and financing package will not address the medium term financing requirements of the Group and accordingly the Company currently believes that it will require additional funding in the first quarter of 2013. Whilst this additional funding is not committed, the further round of funding is expected to be provided through:

- > the subscription by Dick's for the Second Convertible Loan Notes in the aggregate principal amount of £20 million (that Dick's has the right (but not the obligation) to subscribe for under the terms of the Subscription Agreement),
- > a further share offering of new Ordinary Shares, to the extent permitted by law and regulation, to all of the Company's shareholders to raise the aggregate sum of £5 million, and
- > the continued support of BoS and the second tranche of the loan from adidas Group, amounting to £6.6 million, being made available for drawdown by the Company.

Shareholder approval will be required for the issue of the various securities and to obtain approval from the Takeover Panel for the level of Dick's future holdings (being up to a maximum of 61 per cent of the Company's voting share capital). The shareholder vote to approve this transaction will take place on 26 April 2012. If the shareholder vote is not passed by Shareholders at the General Meeting and the transaction does not proceed, the Company will be in default of the current BoS Facility and the Amended BoS Facility and the adidas Loan Agreement will not become effective. In these circumstances, and in the absence of any other funding proposal given the limited headroom in the Group's short term cash flow forecasts, the Directors would be likely to conduct a formal sale process for the Company. However, if a purchaser cannot be found for the Company under the formal sale process, the Directors believe that the Company will not be able to continue to trade as a going concern which would result in the appointment of receivers, liquidators or administrators.

If the transaction is approved, the Directors are confident that this package of support will provide the Group with a solid platform from which to deliver growth over the key trading periods of the UEFA Euro Championships and the London 2012 Olympics. However, our view remains that the UK retail market continues to be extremely challenging and is likely to remain so for some time.

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Going concern (continued)

As part of their going concern assessment, the Directors have reviewed trading and cash flow forecasts which take into consideration the uncertainties in the current operating environment. The Directors have now concluded that there are material uncertainties surrounding going concern. These material uncertainties are

- > securing the pre-requisite approval from Shareholders of the Resolutions,
 - > the ability of the Group to continue to implement its business recovery turnaround strategy in light of
 - the current macroeconomic environment and its impact on consumer confidence and the UK retail sector, this uncertain and volatile outlook in the UK economy results in difficulties in forecasting sales performance in the short and medium term, and
 - the Group's current stock profile which has been affected by management's control of costs and available resources with the result that the Group's intake, availability, stock holding and profile of stock continue to be substantially lower than it should be
- Both of these factors are critical to the achievability of the Group's business plan, which will be a vital factor in maintaining sufficient headroom on cash and covenants, but also an important factor in determining the timing of the additional funding expected to be required in the first quarter of 2013
- > if the pre-requisite approval from Shareholders of the Resolutions is not secured, securing ongoing support from BoS to continue to trade whilst alternative support is sought

The Group's short-term cash flow forecasts indicate that the Group will not experience a funding short fall before the expected date of receipt of the net proceeds of the Subscription on or around 27 April 2012. However, the headroom available to the Company in the period leading up to 27 April 2012 is very limited and management must continue to carefully control its cash and available resources during this period.

Based on the commercial basis of this transaction which is to the benefit of the shareholders, the Directors have no reason to believe that the vote will not proceed with a majority. Having regard to the factors set out in this going concern assessment, the Directors have a reasonable expectation that, should the investment proceed, the Group will be in a position to deliver its turnaround strategy.

The Directors have identified a number of management initiatives that the business could pursue and which they are confident it can achieve to help offset a potential decline in trading including

- > further cost reductions in addition to the current cost reduction programme,
- > an improvement in its stockholding and/or extending terms with suppliers,
- > management of capital expenditure, and
- > the disposal of certain stores or operating units

The Directors have concluded that the combination of the circumstances set out above represents a material uncertainty which may cast significant doubt upon the Company's and the Group's ability to continue as a going concern and therefore the Company and Group may be unable to continue to realise assets and discharge liabilities in the normal course of business. However, given the strategic investment and financing package that the Company is announcing today, the Board is confident that they have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements. This Annual Report does not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Basis of consolidation

The Consolidated Financial statements incorporate the Financial statements of the Company and entities controlled by the Company (its subsidiaries), together making up the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to be able to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to capital reserve in the period of acquisition.

The results of subsidiaries acquired or disposed of during the accounting period are included in the Consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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Basis of consolidation (continued)

Where necessary, adjustments are made to the Financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation

No Company only statement of financial performance is presented for JJB Sports plc, as permitted by Section 408 of the Companies Act 2006

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, as follows:

Freehold buildings	50 years
Leasehold improvements	over the period of the lease
Plant and equipment	5 to 25 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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Impairment of tangible and intangible assets excluding goodwill and brand licence intangible assets

At every Consolidated statement of financial position date, a review of the carrying amounts of the tangible and intangible assets, excluding goodwill and brand licence intangible assets, is performed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised in the profit or loss.

Brand licence intangible assets

Internally generated brand licence intangible assets are not recorded on the Consolidated statement of financial position.

Acquired brands are carried at cost in the Consolidated statement of financial position. Subject to an impairment review, no amortisation is charged on those brand licence intangible assets which the Board believes have an indefinite life. The cost of those brands which have a finite life are amortised over the period during which the Group and Company has the use of the brand.

The Group carries out an impairment review on the brand licence intangible assets, at least annually, or when a change in circumstances or situation indicates that those assets have suffered an impairment loss. Impairment is measured by comparing the carrying amount of an intangible asset with the 'recoverable amount' that is the higher of its fair value less costs to sell and its 'value in use'. 'Value in use' is calculated by discounting the expected future cash flows, using a discount rate based on an estimate of the rate that the market would expect on an investment of comparable risk.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO (first in first out) method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or damaged items where appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of financial performance using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Consolidated statement of financial position date, taking into account risks and uncertainties surrounding the obligation, and are discounted to present value where the effect is material.

Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 27 of the Notes to the Financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability, at each Statement of financial position date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, returns, VAT and other sales related taxes.

In the case of goods sold through the retail stores, revenue is recognised when goods are sold and the title has passed.

Revenue also includes income generated from the provision of sports and leisure facilities at the Group's fitness clubs, the majority of which were sold on 25 March 2009. This revenue is recognised in the accounting period during which the facility is made available to members of the fitness clubs. Revenue from joining fees are contributions to cover costs of the administration of new members and are credited to revenue in the accounting period of the receipt of that revenue.

Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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For the 52 weeks to 29 January 2012

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged as an expense on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Foreign currencies

In preparing the Financial statements of the individual Companies, transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each Consolidated statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rates prevailing on the Consolidated statement of financial position date. Gains and losses arising on retranslation are recognised in the Consolidated statement of financial performance for the period in which the gain or loss arises except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

For the purpose of presenting Consolidated Financial statements, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the Consolidated statement of financial position date. Income and expense items are translated at the average exchange rates for the accounting period. Exchange differences arising are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of. Differences arising from prior periods have been frozen.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities.

Taxation

The taxation (credit) expense represents the sum of the tax currently (receivable) payable and deferred tax.

The taxation currently (receivable) payable is based upon the taxable (loss) profit for the accounting period. Taxable (loss) profit differs from net (loss) profit as reported in the Consolidated statement of financial performance because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial statements and the corresponding tax bases used in the computation of taxable (loss) profit, and is accounted for using the Consolidated statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable (loss) profit nor the accounting (loss) profit.

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Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each Consolidated statement of financial position date, and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Consolidated statement of financial position, when the Group becomes a party to the contractual provisions of the instrument

Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs

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Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 39 of these Notes to the financial statements.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Exceptional items

Exceptional items are items that are unusual based on their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results. The total balance is disclosed on the face of the Consolidated statement of financial performance with further detail in the Notes to the Financial statements.

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1 General information

JJB Sports plc is a Company incorporated in the United Kingdom. The address of the registered office is given on page 81 of the Annual Report. The nature of the Group's operations and its principal activities are set out in the Chief Executive's review on pages 3 to 8 of the Annual Report.

2 Critical judgements in applying the Group's and the Company's accounting policies

In the application of the Group's accounting policies, which are described in the Statement of accounting policies on pages 40 to 48, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial statements:

Going concern

Going concern is a critical judgement, refer to pages 40 to 42.

Impairment of subsidiary undertakings

The calculation for considering the impairment of the carrying value of subsidiary undertakings requires a comparison of the present value of the retail operating units within the subsidiary undertakings to the value of those subsidiary undertakings in the Company statement of financial position. The calculation of present value requires an estimation of the future pre-tax cash flows expected to arise from the retail operating units and the selection of a suitable discount rate.

The carrying amount of subsidiary undertakings in the Company statement of financial position at 29 January 2012 was £20.9 million (2011: £20.9 million) and following the impairment review, an impairment charge was not found to be necessary in the 52 weeks to 29 January 2012 (2011: £147.7 million).

Impairment of goodwill

The calculation for considering the impairment of the carrying amount of goodwill requires a comparison of the present value of the retail operating units for which goodwill has been allocated, to the value of goodwill in the Consolidated statement of financial position. The calculation of present value requires an estimation of the future pre-tax cash flows expected to arise from the retail operating units and the selection of a suitable discount rate.

Following the impairment review, an impairment charge was not found to be necessary, in the 52 weeks to 29 January 2012, (2011: £92.6 million, £88.1 million in respect of Blane Leisure Limited and £4.5 million in respect of Sports Division (Eireann) Limited). The carrying amount of goodwill in the Consolidated statement of financial position at 29 January 2012 was £13.8 million (2011: £13.8 million) (see note 14 of these Notes to the Financial statements for further details).

Impairment of intangible fixed assets

The Group has made a provision of £7.8 million at 29 January 2012 (2011: £nil) in respect of the brand licences, due to uncertainties of associated future cash flows.

Impairment of tangible fixed assets

The Group provided £11.5 million at 29 January 2012 (2011: £3.8 million) in respect of property, plant and equipment. £6.8 million of the impairment represents a provision against the asset held within the CVA stores which are due to be closed by April 2013 and £4.7 million represents a provision against the assets of stores which are loss making and are expected to continue making losses.

Property provisions

The Group provided £21.2 million at 29 January 2012 (2011: £13.6 million) in respect of its closed stores. These costs have been estimated by reference to the length of time necessary to exit the leases and the scale of any lump sums estimated to be necessary to achieve the exit. The estimates are based upon available information and knowledge of the property market. The ultimate costs to be incurred in this regard may vary from the estimates.

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2 Critical judgements in applying the Group's and the Company's accounting policies (continued)

Stock provisions

Stock provisions are established to reduce the carrying value of stock to the lower of cost and net realisable value. This requires an estimate to be made as to which stocks are likely to be sold at less than cost and the price at which these stocks are likely to be sold.

3 Revenue

An analysis of revenue is as follows

	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Ongoing operations		
Revenue from retail operations	282,722	361,340
Revenue from fitness clubs	1,484	1,554
Revenue – statement of financial performance	284,206	362,894
Other operating income	2,682	1,848
Investment income	113	512
Total revenue	287,001	365,254

4 Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. The Chief Executive reviews internal reports comprising only the retail division. As such, there is only one segment. These results of the business segment are disclosed on the face of the consolidated statement of financial performance.

Revenues from major products and services and information about major customers

Information regarding the above is required by IFRS 8 (32 and 34) but is not given in these Notes to the Financial statements because of the nature of the Group's business. The Group's principal activity is that of retailing of a wide range of sports clothing, footwear and equipment, and is shown above and therefore the disclosure of revenues from major products is not appropriate and as the Group's revenue is derived from sales to the general public, then it has no major customers.

Geographical segments

The Group's reporting format is by business segment. Although the Group operates in two geographic segments, the UK and Eire, neither the revenue from sales to external customers nor the value of net assets within Eire represent more than 10 per cent of Group totals hence is not separately disclosed.

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5 Exceptional items

	Group	
	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Goodwill impairment (note 14)	–	92,610
Reorganisation costs	5,718	4,524
HMRC provision	5,324	676
Net loss on disposal of property, plant and equipment	1,802	582
Impairment of intangible fixed assets (note 15)	7,829	–
Impairment of fixed assets of CVA stores (note 16)	6,815	3,841
Impairment of fixed assets of loss making stores (note 16)	4,748	–
Property provisions	14,972	5,789
Release of deferred lease incentives	–	(66)
	47,208	15,346
	47,208	107,956

Goodwill impairment in the prior period represented the write down required following a review of goodwill, which arose on the acquisition of Sports Division. This was a non-cash item. Further details are included in note 14 of these Notes to the Financial statements.

Reorganisation costs relate to costs incurred from the restructuring of the Group, which remains ongoing.

HMRC provision relates to a provision for a non-recurring matter which the Group is currently discussing with HMRC.

Details in relation to the impairment of fixed assets and property provisions can be found in notes 16 and 23, respectively, of these Notes to the Financial statements.

6 Loss before taxation

Loss before taxation of the Group has been arrived at after charging

	Continuing operations	
	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Exceptional items (see note 5)	47,208	107,956
Amortisation of other intangible assets	2,913	3,294
Depreciation of property, plant and equipment	8,081	9,269
Staff costs (see note 7)	53,828	63,366
Auditor's remuneration – Audit Fees (see note overleaf)	215	199
– Non-audit Fees (see note overleaf)	528	392
Cost of inventories recognised as expense	181,162	219,179
Write down of inventories to net realisable value	8,697	12,154
Operating leases – plant and machinery	392	700
Operating leases – land and buildings	40,986	52,303

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6 Loss before taxation (continued)

Auditor's remuneration

Amounts payable to Deloitte LLP and their associates by the Company and its subsidiary undertakings are set out below

	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Fees payable to the Company's auditor with respect to the audit of the Company's annual accounts	135	119
Fees payable to the Company's auditor and their associates for other audit services to the Group		
Audit of the Company's subsidiaries pursuant to legislation	80	80
Total audit fees	215	199
Non-audit fees		
Reporting Accountant services	514	370
Tax services advisory services	4	22
Other services	10	–
Total non-audit fees	528	392
	743	591

Of the Reporting Accountant fees in the 52 weeks to 29 January 2012 of £514,000, £274,000 related to the Second Firm Placing and Placing and Open Offer undertaken during April 2011, £240,000 related to the CVA process. A further £10,000 was attributable to a review of internal audit procedures.

The Reporting Accountant fees in the 52 weeks to 30 January 2011 of £370,000 relate to the First Firm Placing and Placing and Open Offer undertaken during February 2011.

A description of the work of the Audit committee is set out in the Corporate Governance report on page 17 of the Annual Report and on page 17 there is an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7 Staff costs

(a) The aggregate remuneration comprised

	Group		Company	
	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Wages and salaries	48,586	57,026	36,590	45,414
Social security costs	3,143	3,566	2,635	2,950
Other pension costs (see note 40)	389	229	389	229
Share based payment (see note 31)	1,710	2,545	1,710	2,545
	53,828	63,366	41,324	51,138

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7 Staff costs (continued)

(b) The average number of persons and their full time equivalents employed by the Group and Company during the accounting period (including Executive Directors) was as follows

Group	Average number of employees		Full time equivalents	
	52 weeks to 29 January 2012 Number	52 weeks to 30 January 2011 Number	52 weeks to 29 January 2012 Number	52 weeks to 30 January 2011 Number
Sales and distribution	4,852	6,471	2,610	3,553
Administration	256	230	256	226
	5,108	6,701	2,866	3,779

Company	Average number of employees		Full time equivalents	
	52 weeks to 29 January 2012 Number	52 weeks to 30 January 2011 Number	52 weeks to 29 January 2012 Number	52 weeks to 30 January 2011 Number
Sales and distribution	3,452	4,936	1,834	2,944
Administration	256	230	256	226
	3,708	5,166	2,090	3,170

(c) Key management personnel

The remuneration of the Company's Directors and the members of the Company's operating board (who are not members of the Executive Board but are the key management personnel of the Group), is set out below in aggregate for each of the expense categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of Directors is provided in the audited part of the Directors' remuneration report on pages 25 to 29

	Group	
	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Short-term employee benefits	1,119	2,629
Post employment benefits	285	–
Termination benefits	4	352
Share based payments	1,710	2,545
	3,118	5,526

8 Investment income

	Group	
	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Interest on bank deposits	113	130
Interest on loan note deposit	–	382
	113	512

All of the above is finance income earned on the financial assets being loans and receivables (including cash and bank borrowings)

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9 Finance costs

	Group	
	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Interest on bank overdrafts and loans	538	834
Finance costs	28	228
Exceptional bank arrangement fees and charges	–	100
	566	1,162

10 Taxation

Taxation can be reconciled to the loss before taxation shown in the Consolidated statement of financial performance as follows

	Group			
	52 weeks to 29 January 2012 £'000	%	52 weeks to 30 January 2011 £'000	%
Loss before taxation	(101,129)		(181,365)	
Tax at the current UK corporation tax rate	(26,597)	26.3	(50,782)	28.0
Tax effect of expenses that are not deductible in determining taxable loss	276	(0.3)	26,178	(14.4)
Change in unrecognised deferred tax assets	6,399	(6.3)	3,117	(1.8)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,319	(1.3)	604	(0.3)
Tax effect of unrecognised losses	18,603	(18.4)	20,883	(11.5)
Total taxation and effective tax rate for the period	–	–	–	–

11 Loss attributable to JJB Sports plc

As permitted under Section 408 of the Companies Act 2006, no separate Statement of financial performance is presented in respect of the Parent Company

The loss after taxation for the accounting period dealt with in the Financial statements of the Parent Company, JJB Sports plc, was £72,009,000 (2011 loss £205,565,000)

12 Dividends

No dividends have been paid or proposed for the 52 weeks to 29 January 2012 (2011 nil)

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13 Loss per share

The calculation of the basic and diluted loss per Ordinary Share and of adjusted basic loss per Ordinary Share are based on the following data

	52 week to 29 January 2012	Loss per share (pence)	52 weeks to 30 January 2011*	Loss per share (pence)	52 weeks to 30 January 2011**	Loss per share (pence)
From continuing operations	£'000		£'000		£'000	
Loss for the purposes of basic loss per Ordinary Share and diluted loss per Ordinary Share being net loss attributable to equity holders of the parent	(101,129)	(40.40)p	(181,365)	(72.45)p	(181,365)	(278.66)p
Exceptional items – goodwill impairment	–	–	92,610	36.99p	92,610	142.29p
– other exceptional items	47,208	18.86p	15,346	6.13p	15,346	23.58p
Loss for the purposes of adjusted basic loss per Ordinary Share being net loss attributable to equity holders of the parent before exceptional operating items, net of taxation	(53,921)	(21.54)p	(73,409)	(29.33)p	(73,409)	(112.79)p
					52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Loss for the purposes of basic loss per Ordinary Share and diluted loss per Ordinary Share being net loss attributable to equity holders of the parent					(101,129)	(181,365)
Effect of dilutive potential Ordinary Shares						
Fair value adjustment of warrants					(2,935)	–
Loss for the purpose of diluted loss per Ordinary Share					(104,064)	(181,365)
					52 weeks to 29 January 2012	52 weeks to 30 January 2011*
Number of Ordinary Shares for the purposes of basic loss per Ordinary Share and adjusted basic loss per Ordinary Share (restated – see below)					250,345	250,345
Effect of dilutive potential Ordinary Shares						
Share options					16,460	–
Number of Ordinary Shares for the purposes of diluted loss per Ordinary Share					266,805	250,345
						52 weeks to 30 January 2011**
Continuing operations						
Basic loss per Ordinary Share		(40.40)p		(72.45)p		(278.66)p
Diluted loss per Ordinary Share		(39.00)p		(72.45)p		(278.66)p
Adjusted basic loss per Ordinary Share		(21.54)p		(29.33)p		(112.79)p

* The number of Ordinary Shares in issue for the period ended 30 January 2011 has been represented to take account retrospectively of the Firm Placing and Open Offers completed during February 2011 and April 2011

** The number of Ordinary Shares for the purposes of the prior year earnings share calculations has been restated to remove the effect of the Firm Placing and Open Offers completed during February 2011 and April 2011. As these were cash-settled, IAS 33 Earnings per share requires that they be excluded from retrospective restatement calculations

Due to the current year losses and losses brought forward for taxation purposes, no taxation has been allocated for the purpose of loss per share calculations

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14 Goodwill

	Group £'000
Cost	
As at 31 January 2010 and 30 January 2011 and 29 January 2012	257,291
Accumulated impairment losses	
At 31 January 2010	150,885
Impairment loss for the period	92,610
At 30 January 2011 and 29 January 2012	243,495
Carrying amount	
At 29 January 2012	13,796
At 30 January 2011	13,796

Goodwill acquired in a business combination is allocated at acquisition to the individual companies that are expected to benefit from that business combination. The goodwill arose on the retail operations of the acquisitions and is not allocated on a store by store basis. After recognition of impairment losses, the carrying amount of goodwill relates to Blane Leisure Limited.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

No impairments have been made in the current year. The following impairments were made in the prior period:

	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Blane Leisure Limited	–	88,058
Sports Division (Eireann) Limited	–	4,552
	–	92,610

The recoverable amounts of the cash generating units (CGUs) on which goodwill has arisen are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding sales and profit growth rates which are dependent on sporting events, sales mix and expectations of gross profit margins. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The Group has prepared cash flow forecasts for the 52 weeks to January 2013 and January 2014, that take into account sporting events and expectations of sales mix derived from the pre-tax operating results of the cash generating units for the 52 weeks to 29 January 2012. Cash flows are extrapolated for the remaining lengths of the store leases, extending profitable stores for a further 15 year lease term. The profit growth rate which has been applied in the forecasts for the 52 weeks to January 2014 onwards is 2 per cent.

The pre-tax rate used to discount the cash flow forecasts is 20.0 per cent (2011: 16.0 per cent). This discount rate reflects management's estimate of the time value of money and risks specific to the CGUs for which future cash flow estimates have not been adjusted.

The impairment calculation is sensitive to profit growth rates and also to the discount rate used in the calculation. For there to be an impairment, the cash flow projections would need to be extrapolated beyond the most recent forecast with a negative growth rate of greater than 14 per cent or a discount rate of greater than 35 per cent.

The bases and methodology upon which the value in use has been determined is performed on a store by store basis using forecast results from 2012/13 and 2013/14 taking into account future sporting events and expectations of sales mix.

The impairment loss of £92.6 million at 30 January 2011 represented the impairment to carrying value of goodwill of Blane Leisure Limited and Sports Division (Eireann) Limited which were impaired due to a substantial underperformance of the business and the losses incurred over the previous two years.

The accounting judgements and sources of estimation uncertainty involved in assessing any impairment loss are referred to in note 2 of these Notes to the Financial statements.

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15 Other intangible assets

	Group and Company		
	Brand licences £ 000	Other intangible assets £ 000	Total £ 000
Cost			
At 31 January 2010	30,244	2,872	33,116
Additions	–	1,100	1,100
At 30 January 2011	30,244	3,972	34,216
Additions	–	972	972
At 29 January 2012	30,244	4,944	35,188
Amortisation			
At 31 January 2010	8,778	1,969	10,747
Charge for the period	1,800	1,494	3,294
At 30 January 2011	10,578	3,463	14,041
Charge for the period	1,807	1,106	2,913
Impairment	7,829	–	7,829
At 29 January 2012	20,214	4,569	24,783
Carrying amount			
At 29 January 2012	10,030	375	10,405
At 30 January 2011	19,666	509	20,175

Included within the cost value of Brand licences at 29 January 2012 is a value of £10,023,000 in respect of the exclusive brand rights to the use of the "Slazenger" name on certain golf and related products which are held under a 999 year licence, of which 986 years remain. An impairment calculation was performed to estimate the present value of future cash flows expected to arise from this Brand. The key assumptions for this calculation were based on the gross profit on the sale of products which are branded Slazenger, for the 52 weeks to 29 January 2012, extrapolated over the next 15 years assuming 2 per cent profit growth and a pre-tax weighted average cost of capital of 16.0 per cent (2011: 16.0 per cent). The period of the projected cash flows is of a longer period than 5 years because of the length of the licence. The Directors believe the Slazenger brand licence to have a long life and a residual value in excess of cost, therefore no amortisation charge has been made at 29 January 2012 on the grounds of immateriality (2011: £nil).

Other intangible assets at 29 January 2012 include an impairment provision of £7,829,000 in respect of brand licences. Uncertainties have arisen with respect to associated future cash flows as the entity with which the licence is held, has entered administration.

The other intangible assets are amortised over their estimated useful lives, which is an average of 3 years.

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16 Property, plant and equipment

	Group			
	Freehold land and buildings £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
Cost				
At 31 January 2010	17,746	3,044	163,462	184,252
Additions	–	36	4,053	4,089
Exchange differences	–	–	(101)	(101)
Disposals	(70)	(391)	(3,885)	(4,346)
At 30 January 2011	17,676	2,689	163,529	183,894
Additions	–	21	2,841	2,862
Exchange differences	–	–	(294)	(294)
Disposals	–	(610)	(24,773)	(25,383)
At 29 January 2012	17,676	2,100	141,303	161,079
Accumulated depreciation				
At 31 January 2010	4,106	1,486	103,969	109,561
Charge for the period	341	122	8,806	9,269
Impairment	–	119	3,722	3,841
Exchange differences	–	–	(28)	(28)
Eliminated on disposals	(49)	(173)	(3,386)	(3,608)
At 30 January 2011	4,398	1,554	113,083	119,035
Charge for the period	340	99	7,642	8,081
Impairment	–	404	11,159	11,563
Exchange differences	–	–	(128)	(128)
Eliminated on disposals	–	(824)	(22,739)	(23,563)
At 29 January 2012	4,738	1,233	109,017	114,988
Carrying amount				
At 29 January 2012	12,938	867	32,286	46,091
At 30 January 2011	13,278	1,135	50,446	64,859

In the period ended 30 January 2011, the impairment related to the carrying value of assets within the first tranche of CVA stores not being supported by expected future cash flows. This totalled £3,841,000. In the period ended 29 January 2012, an impairment of £6,815,000 has arisen relating to the stores closed as part of the second stage of the CVA and a further £4,748,000 relates to loss making stores that the Group expects to continue to make losses. The recoverable value was identified as the value in use totalling £46,091,000 (2011: £64,859,000).

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16 Property, plant and equipment (continued)

	Company			
	Freehold land and buildings £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
Cost				
At 31 January 2010	17,359	1,109	121,689	140,157
Additions	–	18	2,332	2,350
Disposals	–	(39)	(2,292)	(2,331)
At 30 January 2011	17,359	1,088	121,729	140,176
Additions	–	21	2,506	2,527
Disposals	–	(484)	(20,432)	(20,916)
At 29 January 2012	17,359	625	103,803	121,787
Accumulated depreciation				
At 31 January 2010	3,850	452	75,888	80,190
Charge for the period	333	47	7,261	7,641
Impairment	–	65	3,416	3,481
Eliminated on disposals	–	(31)	(1,870)	(1,901)
At 30 January 2011	4,183	533	84,695	89,411
Charge for the period	333	38	6,172	6,543
Impairment	–	277	5,433	5,710
Eliminated on disposals	–	(579)	(19,523)	(20,102)
At 29 January 2012	4,516	269	76,777	81,562
Carrying amount				
At 29 January 2012	12,843	356	27,026	40,225
At 30 January 2011	13,176	555	37,034	50,765

In the period ended 30 January 2011, the impairment related to the carrying value of assets within the first tranche of CVA stores not being supported by expected future cash flows. This totalled £3,481,000. In the period ended 29 January 2012, an impairment of £5,710,000 has arisen relating to the stores closed as part of the second stage of the CVA. The recoverable value was identified as the value in use totalling £40,225,000 (2011: £50,765,000).

17 Investments

Investments in subsidiaries

	Company £'000
Cost	
At 31 January 2010, 30 January 2011 and 29 January 2012	303,171
Accumulated provision for impairment	
At 31 January 2010	(134,597)
Charge for the period	(147,680)
At 30 January 2011 and 29 January 2012	(282,277)
Carrying amount	
At 29 January 2012	20,894
At 30 January 2011	20,894

Goodwill of £237,000 which arose on the acquisition of a subsidiary in 1998 was written off against reserves in that accounting period.

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17 Investments (continued)

The carrying value of investments in subsidiary undertakings has been reviewed for impairment at 29 January 2012. This review was carried out by making a comparison of the present value of the future pre-tax cash flows of the retail operating units within the subsidiary undertakings, to the value of those subsidiary undertakings in the Company statement of financial position. A discount rate was used that reflects current market assessments of the time value of money and a weighted average cost of capital of 20.0 per cent (2011: 16.0 per cent). Following the impairment review, no impairment charge was found to be necessary at 29 January 2012 (2011: £147,680,000).

The accounting judgements and sources of estimation uncertainty involved in assessing any impairment provision are referred to in note 2 of these Notes to the Financial statements.

Details of the investments in subsidiaries whose results or financial position principally affect these Financial statements are as follows:

	Place of incorporation	Issued share capital held	Activity
Blane Leisure Limited	Scotland	100%	Retailer of sportswear and sports equipment
Sports Division (Eireann) Limited	Eire	100%	Retailer of sportswear and sports equipment

Dormant and non-trading companies are not listed in the above table.

18 Inventories

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Goods for resale	47,302	52,725	38,727	45,204

The net replacement value of inventories is not considered to be materially different from that stated in the Consolidated statement of financial position.

19 Trade and other receivables

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Trade receivables	1,749	1,393	1,636	1,269
Allowance for doubtful debts	(766)	(945)	(753)	(889)
	983	448	883	380
Other receivables and prepayments	6,660	8,629	8,621	7,216
Amounts owed by subsidiary undertakings	–	–	4,152	4,152
Value added tax	149	–	1,097	678
	7,792	9,077	14,753	12,426

No interest is charged on any trade receivables that are overdue. A provision has been made for the estimated irrecoverable amounts included in trade receivables. This provision has been determined by reference to past default experience and knowledge of the individual circumstances of certain debtors.

Before accepting any new customer, the Group and Company perform credit checks and review trade references in order to assess the potential customer's credit quality and then define credit limits by individual customer. Credit risk is managed on a regular basis in order to minimise the exposure by reviewing adherence to settlement terms. Credit limits and terms are only increased based on past settlements.

In determining the recoverability of any trade receivables, the Group and Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the accounting period. The concentration of credit risk is limited due to the varied customer base.

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19 Trade and other receivables (continued)

The ageing of trade receivables is as follows

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Neither past due nor impaired				
0-30 days	351	233	264	197
Past due but not impaired				
31-60 days	622	10	617	9
61-90 days	1	30	1	–
91-120 days	2	86	1	81
120+ days	7	89	–	93
Past due and impaired				
31-60 days	41	–	41	–
61-90 days	48	–	48	–
120+ days	677	945	664	889
Total	1,749	1,393	1,636	1,269

Of the trade receivables for the Group, 20.1 per cent (2011 16.7 per cent) and for the Company 16.1 per cent (2011 15.5 per cent) are neither past due nor impaired

Included in trade receivables at 29 January 2012 are debtors with a carrying amount for the Group of £632,000 (2011 £215,000) and for the Company of £619,000 (2011 £183,000) which are past due at that date, for which the Group has not made any provision for an irrecoverable amount because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The movements in the allowance for doubtful debts are as follows

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Balance at the beginning of the period	945	2,824	889	2,654
Impairment provision utilised	(179)	(1,879)	(136)	(1,765)
Balance at the end of the period	766	945	753	889

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance for the Group of £58,000 (2011 £221,000) and for the Company £54,000 (2011 £79,000) which have been placed into liquidation. The impairment which has been recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

20 Cash and cash equivalents

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Cash at bank and in hand	4,638	5,859	2,894	735

The carrying amount of these assets approximates to their fair value.

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21 Trade and other payables

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Trade payables	17,712	38,471	17,438	44,403
Other payables and accruals	23,501	24,381	20,014	10,307
Deferred lease incentives (see note 25)	3,533	3,410	3,355	3,225
Amounts owed to subsidiary undertakings	–	–	135,430	153,857
Value added tax	–	450	–	–
Payroll and social security taxes	943	1,672	902	1,627
	45,689	68,384	177,139	213,419

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases as at 29 January 2012 is 51 days (2011: 76 days).

No interest is charged on the trade payables outstanding balances.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

22 Borrowings

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Bank loans and overdrafts	15,915	24,678	15,915	24,678
Total borrowings				
Amount due for settlement within 2-5 years	15,915	24,678	15,915	24,678

All Group and Company bank overdrafts and bank loans are based in sterling.

Amendments to banking facilities in the period

On 1 February 2011, the Company and Bank of Scotland ("BoS") agreed an amendment to the existing BoS Facility including the waiver of (i) the fixed charge cover test on the April 2011 Quarter Date and (ii) the clean down test for the period ended 30 January 2011. Further covenants were included within the amendment agreement.

On 15 March 2011 the Company and BoS agreed further amendments to the existing BoS Facility and also agreed an Amended BoS Facility following receipt of proceeds under the Second Firm Placing and Placing and Open Offer (and certain other customary conditions precedent).

The Amended BoS Facility came into effect on 27 April 2011.

The key terms of the Amended BoS Facility are as follows:

- > The maturity date of the facility was extended to 31 May 2014, and
- > An overdraft facility of £7.5 million is contained within the £25 million facility limit.

The weighted average interest rate paid by both Group and Company was 5.6 per cent (2011: 5.6 per cent).

Further amendments have been made to the BoS Facility post period end, see note 42.

Undrawn borrowing facilities

At 29 January 2012, the Group had an undrawn committed borrowing facility of £8.8 million (2011: £nil), in respect of which all conditions precedent had been met, against the BoS £25 million facility.

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23 Provisions

Current liabilities

	Vacant stores provision £'000	Dilapidations provision £'000	Onerous leases £'000	Total £'000
Group				
At 30 January 2011	2,998	3,076	562	6,636
Reclassification from (to) non-current liabilities	1,343	(1,855)	–	(512)
Created in the period	8,228	–	38	8,266
Utilised in the period	(3,157)	(207)	(146)	(3,510)
Released in the period	(3,518)	(420)	(454)	(4,392)
At 29 January 2012	5,894	594	–	6,488
Company				
At 30 January 2011	1,920	1,999	–	3,919
Reclassification from (to) non-current liabilities	1,130	(939)	–	191
Created in the period	6,433	–	–	6,433
Utilised in the period	(2,601)	(179)	–	(2,780)
Released in the period	(3,214)	(338)	–	(3,552)
At 29 January 2012	3,668	543	–	4,211

Non-current liabilities

	Vacant stores provision £'000	Compromised lease fund £'000	Dilapidations provision £'000	Onerous leases £'000	Total £'000
Group					
At 30 January 2011	10,598	–	–	278	10,876
Reclassification (to) from current liabilities	(1,343)	–	1,855	–	512
Created in the period	11,742	2,500	15	214	14,471
Utilised in the period	(1,679)	–	–	(350)	(2,029)
Released in the period	(3,980)	–	–	(142)	(4,122)
At 29 January 2012	15,338	2,500	1,870	–	19,708
Company					
At 30 January 2011	6,937	–	–	–	6,937
Reclassification (to) from current liabilities	(1,130)	–	939	–	(191)
Created in the period	8,570	2,022	–	–	10,592
Utilised in the period	(805)	–	–	–	(805)
Released in the period	(2,940)	–	–	–	(2,940)
At 29 January 2012	10,632	2,022	939	–	13,593

The vacant stores provisions represent the estimated costs expected to be incurred in exiting the relevant lease agreements and in some cases ongoing rents and rates. The provision includes closed stores and restructured stores comprising units committed to close before the end of April 2008, stores within the 2009 CVA and stores within the 2011 CVA.

The compromised lease fund is payable to landlords as part of the 2011 CVA and is due after a Fund Trigger Date, being the earlier of 24 April 2013, the date the equity shares of JJB cease to be listed and traded on any recognised stock exchange and the unconditional date of an offer made for the Company. The total amount payable by the Company will be between £2.5 million and £7.5 million, the amount determined by comparing the value of the Market Capitalisation of the Company on the Fund Trigger Date to the amount of the Target Equity Raising of £96.5 million. This compromise can be settled in cash or shares, at the discretion of the Company.

The dilapidations provision is the best estimate of the present value of expenditure expected to be incurred by the condition required under the individual lease agreements at the end of their term.

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23 Provisions (continued)

The onerous lease provision represented the direct expenditure expected to be incurred on one of the two soccerdomes relating to a dispute with the existing tenant which has now been settled. The provision consisted of the costs expected to be incurred during the dispute, together with the ongoing overhead expenses, including rent and rates. No rental income is currently being received from the site. This property is now closed and unoccupied, and the provision has been released and reclassified as a vacant store provision.

Current liability provisions are expected to be settled during the 52 weeks to 27 January 2013, the non-current liability provisions are expected to be settled after this date.

24 Deferred tax

The following are the major deferred tax (assets) liabilities recognised by the Group and Company and movements thereon.

	Group £'000	Company £'000
Accelerated capital allowances		
At 31 January 2010	–	–
Depreciation in excess of capital allowances	9,728	9,481
Recognised losses	(9,728)	(9,481)
At 30 January 2011	–	–
Depreciation in excess of capital allowances	5,078	5,078
Recognised losses	(5,078)	(5,078)
At 29 January 2012	–	–

At the Consolidated statement of financial position date, the Group had net unused tax losses of £571 million (2011: £418 million) available for offset against future profits. No deferred tax asset has been recognised due to ongoing uncertainty around the future taxable profits available.

A deferred tax asset has been recognised to the extent that it offsets against the deferred tax liability in respect of losses exceeding capital allowances in excess of depreciation.

No deferred tax has been recognised in respect of losses exceeding capital allowances in excess of depreciation of £521 million net loss (2011: £316 million).

The Group has unrecognised deferred tax in respect of capital losses of £4.9 million (2011: £5.2 million) available to set off against future capital gains.

25 Deferred lease incentives

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Current liabilities, to be released within 1 year (see note 21)	3,533	3,410	3,355	3,225
Non-current liabilities, to be released after more than 1 year	10,292	11,733	8,429	9,629

Deferred lease incentives comprise inducements given by landlords to enter into operating leases of certain land and buildings. All incentives received are released to the Consolidated statement of financial performance on a straight line basis over the term of the individual lease.

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26 Share capital

Issued share capital

	Group and Company	
	£'000	Number Thousands
Allotted, called up and fully paid		
At 31 January 2010 and 30 January 2011	32,542	650,832
First Firm Placing and Placing and Open Offer	642	641,600
	33,184	1,292,432
Consolidation (1:10)	–	129,243
Exercise of warrants	15	1,570
Second Firm Placing and Placing and Open Offer	1,625	162,500
At 29 January 2012	34,824	293,313

The Company has two classes of share, Ordinary Shares and Deferred Shares. The Ordinary Shares carry no right to fixed income and each Ordinary Share carries the right to one vote at general meetings of the Company. The Deferred Shares carry no rights.

On 2 February 2011, the Company published a prospectus detailing a proposal to raise gross proceeds of £31.5 million through a Firm Placing and Placing and Open Offer involving the issue of 630 million new Ordinary Shares at an issue price of 5 pence per new Ordinary Share. The gross proceeds of £31.5 million were received on 25 February 2011. Full details of the First Firm Placing and Placing and Open Offer are contained within the prospectus published on 2 February 2011.

In conjunction with the First Firm Placing and Placing and Open Offer, the Directors effected a Capital Reorganisation in order to provide the Company with flexibility in relation to its capital structure in the future and to seek to reduce the impact of the volatility in the Company's share price. Under the Capital Reorganisation, all existing Ordinary Shares were subdivided and reclassified into one new Ordinary Share of 0.1 pence and one deferred share of 4.9 pence and all newly issued Ordinary Shares were issued as a new Ordinary Share of 0.1 pence. There was then a consolidation such that all Ordinary Shares of 0.1 pence were consolidated on a 1 for 10 basis into Ordinary Shares of 1 pence each and all deferred shares were consolidated on a 1 for 10 basis into consolidated deferred shares of 4.9 pence each. Following the Capital Reorganisation, existing shareholders and shareholders participating in the First Firm Placing and Placing and Open Offer held 1 Ordinary Share and (existing shareholders only) 1 consolidated deferred share for every 10 existing Ordinary Shares held.

At the same time as the First Firm Placing and Placing and Open Offer, the Company issued warrants on completion of the process to the firm placees participating in the Firm Placing in lieu of any placing commissions and in consideration for, and pro rata to, their binding agreements to subscribe for shares.

On completion of the First Firm Placing and Placing and Open Offer in accordance with its terms, Warrants were issued as follows:

- > 9,338,626 Warrants for Harris Associates LP,
- > 3,531,413 Warrants for Crystal Amber Fund Limited,
- > 1,177,137 Warrants for Bill & Melinda Gates Foundation Trust,
- > 1,569,517 Warrants for GoldenPeaks Capital Partners, and
- > 9,103,198 Warrants for Invesco Asset Management Limited

Subject to Shareholder approval, the majority of these warrants will be exercised as a result of transactions taken place after the Statement of financial position date, see note 42 for further details.

On 22 March 2011 the Company received notification from GoldenPeaks Capital Partners that it had exercised in full its Warrants in respect of 1,569,517 ordinary shares of 1 pence each (the "Warrant Shares") at an exercise price of 15.25 pence per share. The total subscription proceeds received by the Company as a result were £239,351.

At a general meeting of the Company held on 22 March 2011, Shareholders approved a resolution to cancel admission of the Ordinary Shares to listing on the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities and for an application to be made for admission of those Ordinary Shares to trading on AIM.

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26 Share capital (continued)

On 28 April 2011, AIM Admission took place and dealings in Ordinary Shares (including the newly issued Ordinary Shares) started on AIM at 8 00a.m. on 28 April 2011

On 6 April 2011, the Company published a further Prospectus detailing a proposal to raise gross proceeds of £65 million through a Firm Placing and Placing and Open Offer involving the issue of 162.5 million new Ordinary Shares at an issue price of 40 pence per new Ordinary Share. The CVA proposal was approved and the gross proceeds of £65 million were received on 27 April 2011. Full details of the Second Firm Placing and Placing and Open Offer are contained within the Prospectus published on 6 April 2011.

In connection with the April 2011 Capital Raising, a resolution was passed by the independent shareholders at the general meeting held on 26 April 2011 approving a waiver by the Takeover Panel of any obligation which would otherwise fall on IAML or Crystal Amber (who are deemed to be acting in concert with each other for the purposes of the City Code on Takeovers and Mergers (the "Code")) to make a general offer to the shareholders of the Company pursuant to Rule 9 of the Code as a result of the April 2011 Capital Raising and/or the exercise of any or all of the warrants that were issued to IAML and Crystal Amber on 24 February 2011.

As at 4 April 2012, IAML held warrants to subscribe for 9,103,198 new Ordinary Shares and Crystal Amber held warrants to subscribe for 3,531,413 new Ordinary Shares in the Company on the terms of the Warrant Instrument dated 24 February 2011. However, in connection with the strategic investment and financing package that the Board is announcing today, both IAML and Crystal Amber have agreed to exercise all of their outstanding warrants at an exercise price of 10 pence per share.

27 Share based payments

(a) Share option schemes

The Company has outstanding options under the following schemes

	Date of grant	Number of Ordinary Shares of 1p each at 29 January 2012	Number of Ordinary Shares of 1p each at 30 January 2011	Exercise price per share	Exercise expiry date
i) 1999 Unapproved scheme	23 November 2004	–	54,294	200.75	22.11.14
ii) 1999 Inland Revenue approval scheme	23 November 2004	–	32,875	200.75	22.11.14
iii) 2006 Unapproved scheme	09 October 2008	–	5,624	19.00	8.10.18
iv) 2006 Long term incentive plan	05 November 2009	143,332	735,589	–	04.11.19
	02 June 2010	750,000	800,000	–	01.06.20

Note: Number of Ordinary Shares as at 30 January 2011 amended to take account of the Capital Reorganisation

The exercise of options under the 2006 Long term incentive plan, is subject to a total shareholder return performance target, represented by share price plus dividends reinvested from the day of entitlement. The number of options exercisable is directly linked to the relevant percentage rise in total shareholder return over a three year vesting period.

The details of options granted to the Executive Directors under all these schemes, are set out in the Directors' Remuneration report on page 28 of the Annual Report and are included in the above figures.

Under the transitional provisions, the recognition and measurement principles in IFRS 2 have not been applied to grants of share options made before 7 November 2002. The fair value of options granted since 7 November 2002 is measured using the Black Scholes pricing model.

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27 Share based payments (continued)

(a) Share option schemes (continued)

The number and weighted average exercise price of the share options is as follows

	29 January 2012		30 January 2011	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Outstanding at the start of the period	1,628,382	106 8p	2,551,822	147 2p
Granted during the period	–	–	971,429	–
Forfeited during the period	(735,050)	239 5p	(1,894,869)	106 6p
Outstanding at the end of the period	893,332	–	1,628,382	106 8p
Exercisable at the end of the period	–	–	–	–

Note Number of Ordinary Shares as at 30 January 2011 amended to take account of the Capital Reorganisation

The options outstanding at 29 January 2012 have an exercise price of £nil and a weighted average remaining contracted life of 8.3 years

The share price during the accounting period of 52 weeks to 29 January 2012 ranged between 5.20 pence and 31.50 pence and the closing mid market price at Friday 27 January 2012 was 11.50 pence (after the impact of the 1:10 share consolidation, see note 26 for further details). The total debit to the Consolidated statement of financial performance for the 52 weeks to 29 January 2012 relating to employee share based payments was £1,710,000 (2011: £2,545,000).

(b) Sharesave plans

During the accounting period of 52 weeks to 27 January 2008, the Group offered options to all employees with over 12 months' service to purchase Ordinary Shares under its 2007 Sharesave Plan. This Plan is an Inland Revenue approved Save As You Earn ("SAYE") savings contract. Inland Revenue rules limit the maximum amount saved under the savings contract to £250 per month. The options were offered at a fixed set price calculated at the start of the three or five years term of the SAYE savings contract by applying a discount of 20 per cent to the market price of JJB's Ordinary Shares in September 2007. The options under the Sharesave plan may normally be exercised during the period of six months after the completion of the three or five year term of the SAYE savings contract. There are no performance conditions attached to these options. The three year term reached completion during the accounting period ended 30 January 2011.

During the accounting period of 53 weeks to 31 January 2010, the Group offered further options to all employees with over six months' service to purchase Ordinary Shares under the 2007 Sharesave Plan. The conditions are similar to the 2007 invitation under the Sharesave Plan referred to above, except that the term is for three years only, and the options were offered at a fixed set price calculated at the start of the three year term of the SAYE savings contract by applying a discount of 20 per cent to the market price of JJB's Ordinary Shares during October 2009. The scheme started on 1 February 2010.

During the accounting period of 52 weeks to 30 January 2011, the Group offered further options to all employees with over six months' service to purchase Ordinary Shares under the 2007 Sharesave Plan. The conditions are similar to the 2009 invitation under the Sharesave Plan and the scheme started on 1 February 2011.

	Number of options	Weighted average exercise price
Outstanding at 31 January 2010	8,606	1690 0p
Granted	627,376	232 0p
Forfeited	(554,844)	240 5p
Outstanding at 30 January 2011	81,138	328 4p
Granted	1,324,073	77 7p
Forfeited	(917,320)	94 0p
Outstanding at 29 January 2012	487,891	89 0p

Note Number of options above takes account of the Capital Reorganisation of 1 for 10 Ordinary Shares in February 2011

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27 Share based payments (continued)

(b) Sharesave plans (continued)

The options under the 2007 Sharesave plan offered in September 2007 comprised 616 Ordinary Shares with an option expiry date of 1 November 2012

The options under the 2007 Sharesave plan offered in November 2009 comprised 29,147 Ordinary Shares with an option expiry date of 31 January 2013

The options under the 2007 Sharesave plan offered in November 2010 comprised 458,128 Ordinary Shares with an option expiry date of 31 January 2014

The details of options under the 2007 Sharesave plan taken up by the Executive Directors are set out in the Directors' Remuneration report on page 28 of the Annual Report

28 Share premium account

	Group and Company £'000
Balance at 31 January 2010 and 30 January 2011	174,055
First and Second Firm Placing and Placing and Open Offer (see note 26)	83,942
Exercise of warrants (see note 26)	224
Balance at 29 January 2012	258,221

29 Capital redemption reserve

	Group and Company £'000
Balance at 30 January 2011 and 29 January 2012	1,069

30 Investment in own shares

	Group and Company £'000
Balance at 30 January 2011 and 29 January 2012	3,083

The investment in own shares represents the cost of 169,571 Ordinary Shares (after the Capital Reorganisation) in the Company purchased in the market in August 2006 at 1818 3 pence and held by the JJB Sports plc Employee Benefit Trust to be used to satisfy options granted under the Group's Long Term Incentive Plan, see note 27a of these Notes to the Financial statements

31 Share based payment reserve

	Group and Company £'000
Balance at 31 January 2010	448
Charged in the period	2,545
Balance at 30 January 2011	2,993
Charges in the period	1,710
Balance at 29 January 2012	4,703

The Share based payment reserve represents the fair value of options, at grant date, in accordance with IFRS 2 'Share based payments' (see note 27 of these Notes to the Financial statements)

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32 Foreign currency translation reserve

	Group and Company £'000
Balance at 31 January 2010	(41)
Exchange differences on translation of foreign operations	(662)
Balance at 30 January 2011	(703)
Exchange differences on translation of foreign operations	(126)
Balance at 29 January 2012	(829)

33 Retained earnings (losses)

	Group £ 000	Company £ 000
Balance at 31 January 2010	18,563	(110,507)
Loss after taxation for the period	(181,365)	(205,565)
Balance at 30 January 2011	(162,802)	(316,072)
Loss after taxation for the period	(101,129)	(72,009)
Balance at 29 January 2012	(263,931)	(388,081)

34 Contingent liabilities

CVA

On 3 March 2011, the Company and its subsidiary, Blane Leisure Limited launched a proposal to enter into a CVA. On 22 March 2011, the CVA proposals made by the Company and Blane Leisure Limited received the approval of the requisite majority of creditors and members of each Company. On 23 March 2011 the CVA became partially effective, with full implementation conditional on further events.

Following the expiry of a 28 day challenge period on 21 April 2011, the CVA proposal was fully implemented upon receipt of the gross proceeds from the Second Firm Placing and Placing and Open Offer on 27 April 2011.

As part of the compromise of the claim of the landlords within the April 2011 CVA, the Company has agreed to the creation of a Compromised Lease Fund to affected landlords. Full details of this are included within note 23 relating to provisions.

Full details of the CVA proposal are contained within the Investment circular issued to shareholders on 3 March 2011.

Other contingent liabilities

The Company has contingent liabilities in connection with contractual obligations arising under certain trading contracts. At the present time it is not possible to quantify any cash outflow with respect to these matters.

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35 Reconciliation of operating loss to net cash from operating activities

	Group	
	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Operating loss from continuing operations	(103,450)	(181,812)
Depreciation of property, plant and equipment	8,081	9,269
Amortisation of other intangible assets	2,913	3,294
Impairment of intangible fixed assets	7,829	–
Impairment of goodwill	–	92,610
Net loss on disposal of property, plant and equipment	1,802	582
Impairment of fixed assets of CVA stores	6,815	3,841
Impairment of fixed assets of loss making stores	4,748	–
Increase in provisions	8,684	5,775
Share based payment reserve	1,710	2,545
Bank loan costs	(475)	(125)
Operating cash flow before movements in working capital	(61,343)	(64,021)
Decrease in inventories	5,423	15,858
Decrease in trade and other receivables	1,011	15,982
Decrease in trade and other payables	(23,661)	(39,904)
Cash used in operations	(78,570)	(72,085)
Taxation	–	190
Net cash outflow from operating activities	(78,570)	(71,895)

	Company	
	52 weeks to 29 January 2012 £'000	52 weeks to 30 January 2011 £'000
Operating loss from continuing operations	(74,325)	(205,871)
Depreciation of property, plant and equipment	6,543	7,641
Amortisation of other intangible assets	2,913	3,294
Impairment of investment in subsidiary	–	147,680
Impairment of intangible fixed assets	7,829	–
Net loss on disposal of property, plant and equipment	804	275
Impairment of fixed assets of CVA stores	5,710	3,481
Bank loan costs	(475)	(125)
Increase in provisions	6,948	1,807
Share based payment reserve	1,710	2,545
Operating cash flow before movements in working capital	(42,343)	(39,273)
Decrease in inventories	6,477	11,498
(Increase) decrease in trade and other receivables	(2,601)	12,487
Decrease in payables	(37,005)	(54,626)
Cash used in operations	(75,472)	(69,914)
Taxation	–	(493)
Net cash outflow from operating activities	(75,472)	(70,407)

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36 Analysis of net debt

	Group			
	At 30 January 2011 £'000	Cash flow £'000	Other non-cash items £'000	At 29 January 2012 £'000
Cash and cash equivalents	5,859	(1,261)	40	4,638
Non-current liability				
Bank loans	(24,678)	8,763	–	(15,915)
Net debt	(18,819)	7,502	40	(11,277)

	Company			
	At 30 January 2011 £'000	Cash flow £'000	Other non-cash items £'000	At 29 January 2012 £'000
Cash and cash equivalents	735	2,159	–	2,894
Non-current liability				
Bank loans	(24,678)	8,763	–	(15,915)
Net debt	(23,943)	10,922	–	(13,021)

37 Capital commitments

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Capital commitments	1,350	–	1,350	–

Capital commitments represent costs in respect of additions to property, plant and equipment on leasehold properties on which legal contracts have been exchanged at the Consolidated statement of financial position date

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38 Operating lease arrangements

(a) The Group and Company as lessee

The Group and the Company have entered into non-cancellable operating leases in respect of certain land and buildings. The rentals charged to the Group for the accounting period were £40,986,000 (2011 £52,303,000) and for the Company were £29,360,000 (2011 £34,993,000). In addition all insurance, maintenance and repairs are paid on these properties.

The Group and the Company have entered into non-cancellable operating leases in respect of plant and equipment. The annual rentals charged to the Group for the accounting period were £392,000 (2011 £700,000) and for the Company were £304,000 (2011 £577,000).

At the Consolidated statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 29 January 2012 £'000	Land and buildings 30 January 2011 £'000	Plant and equipment 29 January 2012 £'000	Plant and equipment 30 January 2011 £'000
Group				
Operating leases which expire				
Within 1 year	43,807	56,377	96	203
In the second to fifth year inclusive	127,043	209,714	–	–
After 5 years	154,429	307,342	–	–
	325,279	573,433	96	203
Company				
Operating leases which expire				
Within 1 year	27,389	38,456	73	179
In the second to fifth year inclusive	76,729	141,970	–	–
After 5 years	96,849	213,524	–	–
	200,967	393,950	73	179

Outstanding commitments for future minimum lease payments on land and buildings represent future rentals payable by the Group for stand-alone retail stores and the 2 combined fitness clubs/superstores. Stand-alone retail store leases have an average initial term of 15 years whilst leases for the 2 combined fitness clubs/superstores have an average initial term of 25 years. Rentals under these property leases are usually fixed for an average of five years. No provision within the outstanding commitments has been made for any increase in costs arising from future rent reviews.

Included in the outstanding commitments for future minimum lease payments on land and buildings are commitments relating to the leases on those retail stores which were closed in April 2008 as a result of the restructuring of the retail store chain, referred to in note 23 of these Notes to the Financial statements.

The outstanding commitments for future minimum lease payments on land and buildings also include commitments relating to leases due to be closed under the CVA fully implemented on 27 April 2011 (see note 34).

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38 Operating lease arrangements (continued)

(b) The Group and Company as lessor

The leases on certain stand-alone retail stores which are no longer operated by the Group have been sub-let to third parties. The property rental income received during the accounting period for the Group was £812,000 (2011 £965,000) and for the Company was £213,000 (2011 £99,000). The Group's sub-let properties have average remaining lease commitments of two years.

At the Consolidated statement of financial position date, the Group had contracts with sub-tenants for the following future minimum lease rentals:

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Operating leases which expire				
Within 1 year	856	695	269	78
In the second to fifth years inclusive	1,780	1,314	674	–
After 5 years	1,027	1,303	–	–
	3,663	3,312	943	78

39 Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior period.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22 of these Notes to the Financial statements, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in notes 26 to 33 of these Notes to the Financial statements.

The Group is not subject to any externally imposed capital requirements.

The Board reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 29 January 2012 was 3.9 per cent (see below).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in the Statement of accounting policies on pages 40 to 48 of these Financial statements.

(b) Gearing ratio

The gearing ratio at the period end is as follows:

	29 January 2012 £'000	30 January 2011 £'000
Debt	(15,915)	(24,678)
Cash and cash equivalents	4,638	5,859
Net debt	(11,277)	(18,819)
Equity	291,031	204,583
Net debt to equity ratio	3.9%	9.2%

Debt is defined as long and short term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 22 of these Notes to the Financial statements.

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Notes to the Financial statements continued

For the 52 weeks to 29 January 2012

39 Financial instruments (continued)

(b) Gearing ratio (continued)

Equity includes share capital, share premium account, capital redemption reserve and the investment in own shares (together 'the capital reserves'). Given the substantial losses being recorded in the retained losses reserve over the past years, we monitor the gearing ratio with respect to the capital reserves only to provide a more stable basis to make like for like comparisons

(c) Categories of financial instruments

	Group		Company	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Financial assets				
Investments in subsidiaries	–	–	20,894	20,894
Loans and receivables	7,792	9,077	14,753	19,311
Cash and cash equivalents	4,638	5,859	2,894	735
Financial liabilities				
Fair value through profit and loss	958	113	958	113
Amortised cost	98,092	122,307	219,287	258,582

(d) Financial risk management objectives

The Group's and Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group and Company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk

(e) Market risk

The Group's and Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates

(f) Foreign currency risk management

The Group and Company undertakes certain transactions denominated in US dollars and therefore has exposure to exchange rate fluctuations

(g) Interest rate risk management

The Group and Company finance their operations through a revolving bank credit facility. The revolving bank credit facility was arranged at interest rates fixed to LIBOR and therefore the Group and Company is exposed to interest rate risk on these borrowings. No interest rate hedging agreement is currently in place because given the level of borrowings and the current interest rate environment, the Board does not consider fluctuations in interest rates to pose a significant risk to the Group and Company

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39 Financial instruments (continued)

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. The Group and Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group and Company only transact with entities that have a good credit rating. The Group and Company uses publicly available financial information and its own trading records to rate its major customers. The Group's and Company's exposure and the credit ratings of its counterparties are continuously monitored and controlled by the Treasury department.

As the principal business of the Group and Company is retail related, trade receivables consist of a relatively small number of customers, although spread across diverse business sectors. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The carrying amount of financial assets recorded in the Financial statements represents the Group's and Company's maximum exposure to credit risk.

(i) Financial instruments carried at fair value

The Groups financial instruments held at fair value are warrants and the fair values of these are £958,000 (2011 £113,000). These are categorised as Level 2 which are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The key assumptions involved in the fair value adjustment of the warrants were volatility of 127.4 (2011 124.3), market interest rate of 1.01 per cent (2011 1.38 per cent), and an end date of 21 February 2014 (2011 30 September 2012), resulting in a call option price of 4 pence (2011 1 pence).

(j) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group and Company has sought to manage liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows. Notwithstanding these measures the adverse trading conditions experienced during 2011 has resulted in significant liquidity problems.

The following table details the Group's and Company's remaining contractual maturity of its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay the liability. The table includes both interest and principal cash flows. The interest rates used in respect of the loan notes were at the basis points below LIBOR as stipulated by the loan agreement.

	Group			
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
29 January 2012				
Trade and other payables	45,689	—	—	45,689
Bank loans and overdrafts	—	—	18,057	18,057
	45,689	—	18,057	63,746
	Group			
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
30 January 2011				
Trade and other payables	68,384	—	—	68,384
Bank loans	—	—	24,678	24,678
	68,384	—	24,678	93,062

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Notes to the Financial statements continued

For the 52 weeks to 29 January 2012

39 Financial instruments (continued)

(j) Liquidity risk management (continued)

	Company			
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
29 January 2012				
Trade and other payables	177,139	–	–	177,139
Bank loans	–	–	18,057	18,057
	177,139	–	18,057	195,196
<hr/>				
	Company			
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Total £'000
30 January 2011				
Trade and other payables	213,419	–	–	213,419
Bank loans	–	–	24,678	24,678
	213,419	–	24,678	238,097

40. Retirement benefit schemes

Defined contribution schemes

The Group contributes to the personal pension schemes and stakeholder schemes of certain Executive Directors and senior executives

The total cost charged to the Consolidated statement of financial performance for the 52 weeks to 29 January 2012 was £389,000 (2011 £229,000)

41 Related party transactions

Transactions with related parties who are members of the Group

The Company entered into the following transactions with related parties who are members of the Group

During the 52 weeks to 29 January 2012, the Company has supplied product for resale to Blane Leisure Limited of £49,608,000 (2011 £58,661,000), to Sports Division (Eireann) Limited of £4,321,000 (2011 £2,284,000). These transactions are recorded as inter-company transfers and not revenue of the Company. In addition, the Company received a management charge from Blane Leisure Limited of £10,522,000 (2011 £14,747,000) and from Sports Division (Eireann) Limited of £118,000 (2011 £121,000). These balances are settled through inter-company accounts

As at 29 January 2012, the Company had the following balances outstanding with related parties

	Amounts owed by subsidiary undertakings		Amounts owed to subsidiary undertakings	
	29 January 2012 £'000	30 January 2011 £'000	29 January 2012 £'000	30 January 2011 £'000
Blane Leisure Limited	–	–	88,119	105,404
Sports Division (Eireann) Limited	–	–	17,849	19,009
Dormant subsidiaries	4,152	4,152	29,462	29,444
	4,152	4,152	135,430	153,857

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42 Events after the Statement of financial position date

On 4 April 2012, the Board announced details of a strategic investment and financing package with a number of the Company's key stakeholders and Dick's, a new strategic partner

The Company intends to raise £30 million (before expenses) in aggregate by way of the exercise of 2011 Warrants and the issue of the Subscription Shares and the First Convertible Loan Notes, conditional, among other things, upon the passing of the Subscription Resolutions at the General Meeting

IAML, Harris Associates, Crystal Amber and Gates Foundation, the Company's four largest shareholders, and Dick's, have entered into a Subscription Agreement with the Company pursuant to which

- > IAML, Harris Associates, Crystal Amber and Gates Foundation have agreed to exercise 2011 Warrants resulting in the issue of 22,712,894 Warrant Shares at an exercise price of 10 pence per share,
- > IAML, Harris Associates, Crystal Amber, Gates Foundation and Dick's have agreed to subscribe for a total of 89,787,106 Subscription Shares at 10 pence per share, and
- > Dick's has agreed to subscribe for the First Convertible Loan Notes in an aggregate principal amount of £18.75 million and has been granted the right (but does not have the obligation) to subscribe for the Second Convertible Loan Notes in an aggregate principal amount of up to £20 million, in each case subject to the terms and conditions set out in the Convertible Loan Note Instrument

Pursuant to the terms of the Convertible Loan Note Instrument, the First Convertible Loan Notes and the Second Convertible Loan Notes will convert into a maximum of 887,871,178 Ordinary Shares representing approximately 61 per cent of the Company's then fully diluted share capital

On 4 April 2012, the Board also announced that it had reached agreement with BoS, the Company's lender, regarding the continued provision of the BoS Facility through to 31 May 2015, an agreement with adidas Group, one of the Company's key supplier partners, for the provision of a loan of up to £15 million and the terms of an intercreditor arrangement with BoS, Dick's and adidas Group, each agreement subject to completion of the Subscription and the satisfaction of certain other conditions precedent

The strategic investment and financing package requires shareholder approval. In particular, the Subscription and the Rule 9 Waivers are conditional on, among other things, the passing of the Subscription Resolutions by Shareholders at a General Meeting

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Five year summary

For the accounting periods ending January

Group trading results	2012 £'000	2011 £'000	2010 £'000	2009 re-presented £'000	2008 £'000
Revenue	284,206	362,894	372,493	647,784	811,754
Cost of sales	(182,722)	(238,020)	(230,416)	(351,386)	(405,642)
Gross profit	101,484	124,874	142,077	296,398	406,112
Net operating expenses	(204,934)	(306,686)	(209,389)	(456,031)	(394,817)
Operating (loss) profit from continuing operations	(103,450)	(181,812)	(67,312)	(159,633)	11,295
Adjusted operating (loss) profit	(56,242)	(73,856)	(67,731)	(20,159)	34,269
Exceptional items – goodwill impairment	–	(92,610)	–	(82,275)	–
– other exceptional items	(47,208)	(15,346)	419	(57,199)	(22,974)
Operating (loss) profit from continuing operations	(103,450)	(181,812)	(67,312)	(159,633)	11,295
Investment revenue	113	512	2,704	10,239	11,551
Finance costs	(566)	(1,162)	(3,685)	(22,704)	(12,442)
Finance costs are stated after charging					
Exceptional bank arrangement fees and charges	–	(100)	(500)	(10,974)	–
Other gains and losses	–	–	–	1,989	–
Share of results of associated undertaking	–	–	–	(103)	396
Fair value on derivative instruments	3,048	1,919	903	–	–
Debt issue costs	(274)	(822)	(1,202)	–	–
(Loss) profit before taxation	(101,129)	(181,365)	(68,592)	(170,212)	10,800
Taxation	–	–	7,475	16,429	(1,170)
(Loss) profit after taxation from continuing operations	(101,129)	(181,365)	(61,117)	(153,783)	9,630
Profit (loss) from discontinued operations	–	–	6,534	(13,773)	–
Profit (loss) from discontinued operations is stated after (charging) crediting					
Impairment of fitness club fixed assets	–	–	–	(29,143)	–
(Loss) gain on disposal of property, plant and equipment	–	–	(258)	5,941	–
Release of deferred lease incentives	–	–	7,582	–	–
	–	–	7,324	(23,202)	–
(Loss) profit after taxation	(101,129)	(181,365)	(54,583)	(167,556)	9,630

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Five year summary continued

For the accounting periods ending January

Consolidated statement of financial position	2012 £'000	2011 £'000	2010 £'000	2009 re-presented £'000	2008 £'000
Non-current assets					
Goodwill	13,796	13,796	106,406	106,406	187,834
Other intangible assets	10,405	20,175	22,369	24,600	25,417
Property, plant and equipment	46,091	64,859	74,691	162,044	198,272
Investment in associated undertaking	–	–	–	750	1,677
Loan to associate undertaking	–	–	–	–	4,000
	70,292	98,830	203,466	293,800	417,200
Current assets	59,732	67,661	321,978	321,542	372,348
Current liabilities	(53,135)	(75,133)	(285,362)	(378,349)	(301,647)
Net current assets (liabilities)	6,597	(7,472)	36,616	(56,807)	70,701
Non-current liabilities	(45,915)	(47,287)	(16,529)	(52,362)	(122,846)
Net assets	30,974	44,071	223,553	184,631	365,055
Financed by					
Share capital	34,824	32,542	32,542	12,542	11,944
Share premium account	258,221	174,055	174,055	174,055	171,248
Capital redemption reserve	1,069	1,069	1,069	1,069	1,069
Investment in own shares	(3,083)	(3,083)	(3,083)	(3,083)	(3,083)
Share based payment reserve	4,703	2,993	448	635	680
Foreign currency translation reserve	(829)	(703)	(41)	338	(1,211)
Retained earnings	(263,931)	(162,802)	18,563	(925)	184,408
Equity shareholders' funds	30,974	44,071	223,553	184,631	365,055
Key statistics					
Total dividends paid or proposed	–	–	–	–	10 00p
Basic (loss) earnings per Ordinary Share	(40 40)p	(72 45)p*	(20 84)p**	(54 28)p**	4 07p**
Diluted (loss) earnings per Ordinary Share	(39 00)p	(72 45)p*	(20 84)p**	(54 28)p**	4 07p**
Key performance indicators					
Change in like-for-like revenue	(13 1%)	+5 9%	(26 6%)	(5 6%)	+0 2%
Gross margin	+35 7%	+34 4%	+38 1%	+45 8%	+50 0%
Cash flow from operations	(78,570)	(71,895)	(81,023)	37,859	46,349
Adjusted basic (loss) earnings per Ordinary Share	(21 54)p	(29 33)p	(20 36)p	(6 35)p	10 89p
Net (debt) funds	(11,277)	(18,819)	58,812	(34,362)	(42,156)
Inventories	47,302	52,725	68,582	70,569	114,984
Retail selling space at period end ('000sq ft)	2,095	2,748	2,777	3,674	4,348
Number of Full Time Equivalent Employees	2,866	3,779	4,629	8,123	8,833

* The number of Ordinary Shares in issue for the period ended 30 January 2011 has been represented to take account retrospectively of the Firm Placing and Open Offers completed during February 2011 and April 2011

** As previously reported

Corporate information

Financial calendar

Audited results announced	4 April 2012
Annual General Meeting	July 2012
Interim results published	Est September 2012
End of current accounting period	27 January 2013
Preliminary results announced	Est April/May 2013

Ordinary shares trading information

JB Sports plc Ordinary Shares are quoted on the AIM Market of the London Stock Exchange

Symbol JJB
ISIN number GB0004685235
Admission to trading on AIM 28 April 2011

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Shareholder documents such as the Annual Report and Financial statements are available electronically on the JB corporate website at www.jjbcorporate.co.uk or by email. If you would like to receive notification by email that such documents are available on the website, you should register your email address at gbennett@jjsports.com

Please direct all enquiries concerning dividends, share certificates, share transfers and changes of address to Capita Registrars

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(Calls cost 10 pence per minute plus network extras)

Capita online enquiry service at www.capitaregistrars.com/shareholders/contact. Shareholders can register the appointment of a proxy electronically via the internet at www.capitaregistrars.com/shareholders

To help protect your shareholding against identity theft, please tell Capita Registrars if you change your address or if you don't receive your dividend payment. If you have a certificated shareholding, please keep your share certificate in a safe place. Tax vouchers should also be kept safe.

Capita Share Dealing Services offer a quick and easy share dealing service to either buy or sell the Company's shares, either on-line or by telephone at [www.capitadeal.com/\(on-line dealing\)](http://www.capitadeal.com/(on-line%20dealing)). Call 0871 664 0364 for telephone dealing. Lines are open 8 00am to 4 30pm Monday to Friday. This is not a recommendation to buy or sell JB Ordinary Shares (Calls cost 10 pence per minute plus network extras)

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Directors, Company Secretary and Advisers

Directors

Mike McTighe	(Chairman)
Keith Jones	(Chief Executive Officer)
Dave Williams	(Chief Financial Officer)
David Adams	(Senior Independent Non-Executive Director)
Richard Bernstein	(Non-Executive Director)
Sir Matthew Pinsent CBE	(Independent Non-Executive Director)
Lawrence Christensen	(Independent Non-Executive Director)

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Dave Williams

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