

the john david group plc
ANNUAL REPORT & ACCOUNTS 2004



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CHAIRMAN'S STATEMENT

The year to 31 January 2004 proved to be very difficult for the group. This has led to a number of management changes including my own return to the group as Executive Chairman in March 2004. I am delighted to be back after leaving the position of Finance Director in 2001 and pleased to report that our core business proposition, selling Sportswear with style and fashion, is still clearly an effective consumer offer which differentiates our business from our competition. However, as Chairman, as a shareholder, and as a key member of the team which brought this business to and beyond flotation in the first place, it does not give me any pleasure to report disappointing results for the year.

The results for the last year were adversely impacted by continuing First Sport integration problems. The integration process is now well advanced and all fascias are now managed by a single management team based at our Bury Head Office.

Optimism in October 2003 about the second half was not justified in the final result owing to patchy trading in the

last quarter in which a strong November was followed by a weak pre Christmas period which affected many retailers. This was followed by a comparatively strong sales performance in late December but at lower margins during the sale period which extended into January. Nevertheless there are now grounds for

optimism as the core Sports business is performing well in the new year.

The JD Sports fascia continues to be recognised as a style leader by our target teenage market and offers a market leading range from our key branded suppliers (Nike, Adidas, Puma, Lacoste) which includes exclusive product as well as an improved range of own label (McKenzie, Carbrini) product. Our relationship with these key suppliers, who recognise our pre-eminence as visual merchandisers of their products to target consumer groups, is key to our continuing success. This part of our business will drive the future business performance.

Whilst performance in our Sports Fascias is encouraging, our Fashion Fascias continue to disappoint. We are actively addressing the key issues in this area including the continuation of our fascia rationalisation and the development of stronger brand relationships with fewer Fashion suppliers. Following recent management changes we are now applying the same successful management principles employed in the Sports business to the Fashion business. Given that rationalisation and a

strategic review are continuing, it is, in the Board's opinion, inappropriate to report in detail on the Fashion Fascias separately at this stage.

The challenges facing the group have been extensively reported. In difficult market conditions, however, I have been encouraged by the fact that the core Sports business, which represents approximately 90% of group sales, is increasingly robust.

RESULTS

Total sales increased to £458.1 million during the period in comparison with £370.8 million for the 10 month period ended January 2003 which incorporated eight months of post acquisition trading from First Sport. Gross margin for the year rose slightly from 45.5% to 45.6%.

Operating profit before exceptional items, losses on disposals and amortisation of goodwill was £10.5 million and after interest charges was £6.0 million (10 month period ended 31 January 2003: £18.0 million and £15.1 million after interest charges).

After charging exceptional items of £2.0 million and goodwill amortisation of £0.8 million, operating profit before interest charges and loss on disposal of fixed assets was £7.7 million (10 month period ended 31 January 2003: £14.1 million).

Profit on ordinary activities before taxation was £2.1 million (10 month period to 31 January 2003: £10.8 million).

Net interest charges increased to £4.5 million compared with £2.9 million (10 month period) due to the full year's charge on the additional debt taken on to fund our recent acquisition. Adjusted earnings per ordinary share, before exceptional items and goodwill, were 6.21p compared with 21.18p in the previous period.

DIVIDEND

The Board proposes to pay a final dividend of 3.64p per ordinary share (10 month period ended 31 January 2003: 3.64p) bringing the total dividend paid to 6.50p per ordinary share (10 month period ended 31 January 2003: 6.50p). The Board is offering a scrip dividend alternative to shareholders, full details of which will be included in a circular to be issued with the Annual Report. Irrevocable undertakings to elect to receive the scrip dividend alternative have been given by holders of 54% of the ordinary share capital, being holdings of John Wardle and David Makin, the founding shareholders. The proposed final dividend will be paid on 2 August 2004 to shareholders on the register as at 21 May 2004.



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CHAIRMAN'S STATEMENT

As the group's performance is heavily weighted to the key Christmas trading period it is likely that future dividend payments will be more weighted towards the final dividend than they have been in the current year.

BOARD CHANGES

There have been a number of Board changes in the past 12 months.

The company's founders and principal shareholders, John Wardle and David Makin, stepped down from their executive roles in January 2004 and are now non-executive directors. Their considerable market, product, retail and consumer knowledge is something the Board will continue to draw on although they are no longer involved in the day to day management of the business.

Malcolm Blackhurst resigned as Group Finance Director and Company Secretary in December 2003 and Brian Small was appointed to those positions in January 2004.

Roger Best was replaced as Executive Chairman in March 2004 by me.

Frank Martin, a non-executive director, left the Board in March 2004 and will be replaced as soon as possible.

PROSPECTS

On my appointment 8 weeks ago, I promised to oversee a Board review of all the strategic options open to the group. I have concentrated in my opening weeks on ensuring we have the right management team, the right operating controls and the right targets so that the Board's expectation of a progressive improvement in results can be delivered.

The strategic review will take some time to complete and we will announce its findings and conclusions as soon as it is practicable.

EMPLOYEES

The past year has been a difficult year for everybody working in the company. We have been through a period of great change and this is only possible when you get fully committed support from all employees. I would like to thank everyone of them for making their contribution in the past year and ask each one of them to continue in their commitment to the future success of the company.



Peter Cowgill
Chairman
11 May 2004



mckenzie's
fly threads

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

The year ended 31 January 2004 has been a challenging one for the group and has seen a substantial change in the shape of our store portfolio as we sought to eliminate the old First Sport trading fascias. In the year, over 100 First Sport stores were converted into JD stores. We also closed 37 loss making stores and acquired 9 new stores. At 31 January 2004, we had 306 Sports Stores (2003: 337) and 51 Fashion Stores (2003: 48) trading from a total of 1,236,000 square feet (2003: 1,264,000) of which 13% is devoted to Fashion Fascias. Our focus in the current year will be to continue to eliminate loss making stores either by disposal or conversion. One new store has been opened so far this year and six more are committed to. All new stores will only be added to the portfolio if they meet prudent selection criteria and very few others are likely to be added this year.

The basic product proposition across the Sports Fascias remains Sportswear with fashion and style and is now uniform across those fascias. Our objective is to provide

main brand fashionable product, introducing new ranges quickly and efficiently, including a great number of lines exclusively available at JD. We supplement the branded ranges with innovative and exclusive ranges of both McKenzie and Carbrini own brand merchandise.

The Fashion business continues to concentrate on fashionable branded leisurewear but is currently seeking to focus on fewer brands than in the recent past so that we can more effectively leverage our buying relationships. This is the approach which has been successfully developed in the Sports business.

Our group product mix for the year as a whole was broadly 50% Footwear (2003: 50%), 46% Apparel (2003: 46%), and 4% Accessories (2003: 4%). Replica kit continues to be a minimal part of our turnover.

The main marketing thrust of the current year has been to rationalise our fascias with JD being the principal Sports fascia and ATH- (formerly Ath-Leisure) being our principal Fashion fascia.

The group also moved into its new head office facilities in Bury at the start of the year and the key management is based there. We retain bulk warehousing facilities in Peterlee as well as Bury. Service to the business from these facilities continues to improve and was very effective in the key Christmas and New Year trading period.

BALANCE SHEET & FINANCIAL RESOURCES

Shareholders' funds at the balance sheet date have decreased by 2.5% to £57.3 million from the previous level of £58.8 million at the end of January 2003 after dividend payments of £2.1m (net of irrevocable elections for the scrip dividend alternative).

Total expenditure on fixed assets during the period amounted to £11.5 million of which £9.4 million related to stores. Net borrowings at the end of January 2004 were £51.1 million (2003: £55.5 million). A small reduction in gearing is presently expected by the end of January 2005 and £8 million of our core borrowings are planned to be repaid during the year in accordance with the original schedule of repayments. Gearing should fall following reduced capital expenditure and improving retained earnings in the year to 31 January 2005. EBITDA interest cover fell to a manageable 4.5 times in the year ended 31 January 2004 and will rise again in the current year.

Stocks at the year end were £65.7 million, lower than last year's level of £69.2 million.

The Directors are also aware of the requirement to implement International Financial Reporting Standards under which the group will be reporting in the year ending 31 January 2006. The group continues to plan for conversion and is on track to meet the requirements.

CURRENT TRADING

It is pleasing to be able to report that trading since the year end has been in line with management expectations although the Fashion Fascias will take some time to recover from some of the buying decisions in the past year. During the 13 weeks to 1 May 2004, group like for like sales have been up 0.9% against the prior period whilst our core Sports business has been up 2.5%. During the same period, gross margin has been in line with management expectations.

TREASURY POLICY

The group's treasury policy is to arrange funding whilst limiting exposure to financial risk and minimising funding costs. It seeks to reduce uncertainty over future cashflows arising from the movement in interest rates by adopting a mixture of fixed rate and variable rate borrowings.



THE BOARD

PETER COWGILL

Executive Chairman aged 52

Peter was appointed Executive Chairman in March 2004. He was previously Finance Director of the group until his resignation in June 2001. Since then he has been a partner in Cowgill Holloway Chartered Accountants, and he is also a Non-Executive Director of a number of private companies based in the North West.

BARRY BOWN

Chief Executive aged 42

Barry joined the Board in 2000 and has been with The John David Group Plc since 1984. He held the positions of Head of Retail, Head of Buying and Merchandising and Chief Operating Officer prior to his appointment as Chief Executive in 2000.

BRIAN SMALL

Finance Director aged 47

Brian was appointed Finance Director and Company Secretary in January 2004. Immediately prior to his appointment, he was Operations Finance Director at Intercare Group Plc and has also been Finance Director of a number of other companies. He qualified as a Chartered Accountant with Price Waterhouse in 1981.

JOHN WARDLE

Non-Executive Director aged 59

John was a co-founder of JD Sports and he was the Chairman of the group throughout its various stages of growth from 1980 until 2003. In January 2004, John became a Non-Executive Director.

DAVID MAKIN

Non-Executive Director aged 40

David was a co-founder of JD Sports in 1980 and for most of the group's existence was responsible for the group's overall strategic development as well as the buying strategy. In January 2004, David became a Non-Executive Director.

COLIN ARCHER

Non-Executive Director, Audit Committee and Remuneration Committee member aged 62

Colin was appointed a Non-Executive Director in November 2001. He has over 40 years experience in the banking and financial arenas, having previously been Assistant Corporate Director with Barclays Bank Plc. He is also a member of the Chartered Institute of Bankers.

CHRIS BIRD

Non-Executive Director, Audit Committee and Remuneration Committee member aged 41

Chris was appointed to the Board in May 2003. He is a marketing specialist with his own public relations and marketing agency. Chris has 20 years media experience in newspapers, commercial radio and sport.



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 January 2004.

Principal activities and business review

The principal activity of the group continues to be the retail of sports and leisure wear.

A review of operations for the year and likely future developments are set out in the Chairman's statement on page 2 and the operating and financial review on page 6.

Results

Turnover for the year ended 31 January 2004 was £458.1 million and profit before taxation £2.1 million compared with £370.8 million and £10.8 million respectively in the previous 10 month financial period. The consolidated profit and loss account is set out on page 24.

Proposed dividend

The directors recommend a final ordinary dividend of 3.64p per ordinary share (2003: 3.64p), which together with the interim dividend of 2.86p per ordinary share (2003: 2.86p) makes a total for the year of 6.50p (ten month period 2003: 6.50p).

The Board is offering a scrip dividend alternative to shareholders, full details of which are included in a circular issued with this Annual Report. This will reduce the impact on borrowings of the final dividend. Irrevocable undertakings to take the scrip dividend alternative have been given by holders of 54% of the ordinary share capital in relation to the beneficial interest holdings of John Wardle and David Makin.

If approved at the next annual general meeting, the dividend will be paid on 2 August 2004 to shareholders on the register at the close of business on 21 May 2004.

Directors

The names of the current directors of the company and their biographical details are given on page 8. Mr B Bown and Mr C Archer retire by rotation at the next annual general meeting and are eligible for re-election.

On 12 June 2003, Mr F Martin was appointed to the Board as a Non Executive Director, Chairman of the Audit Committee and the Remuneration Committee and was the recognised Senior Independent Non Executive Director. Following his resignation on 25 March 2004, Mr C Archer became Chairman of both Committees.

On 31 December 2003, Mr M Blackhurst resigned from the company and on 1 January 2004, Mr B Small was appointed as Group Finance Director.

On 16 March 2004, Mr R Best resigned from the company and Mr P Cowgill was appointed as Executive Chairman.

Directors' interests

The interests of the directors who held office at 31 January 2004 and their immediate families in the company's shares are shown below:

	31 January 2004			31 January 2003		
	Ordinary shares of 5p each			Ordinary shares of 5p each		
	Beneficial	Non-Beneficial	Options	Beneficial	Non-Beneficial	Options
J Wardle	12,213,770	(i) 2,063,070	-	12,213,770	(i) 2,063,070	-
D Makin	9,910,610	(ii) 3,138,160	-	9,910,610	(ii) 3,973,160	-
B Bown	5,625	-	230,000	5,625	-	160,000
R Best	50,000	-	518,518	-	-	-
C Archer	8,771	-	-	8,771	-	-
B Small	-	-	100,000	-	-	-
	22,188,776	5,201,230	848,518	22,138,776	6,036,230	160,000

(i) Includes 1,228,070 shares (2003: 1,228,070) duplicated within the beneficial interests of Mr D Makin.

(ii) Includes nil shares (2003: 835,000) duplicated within the non-beneficial interests of Mr J Wardle.

There have been no changes to the interests of the directors disclosed above after the year end.

Share option schemes

The company operates an Inland Revenue Approved Employee Share Option Scheme and an Unapproved Employee Share Option Scheme. During the year the company granted options in respect of 342,348 ordinary shares under the Inland Revenue Approved Employee Share Option Scheme and 1,154,170 ordinary shares under the Unapproved Employee Share Option Scheme. Further information on share options is given in note 17 to the financial statements on page 37.



DIRECTORS' REPORT

continued

Substantial interests in share capital

As at 17 May 2004, the directors are aware of the following substantial interests (those greater than 3%) in the ordinary share capital of the company, in addition to the directors' interests:

	Number of ordinary shares	%
Schroder Investment Management Limited	9,341,277	19.98
Aberforth Partners	2,540,964	5.44
Fidelity International Limited	2,472,301	5.29

Employees

The group is committed to promote equal opportunities in employment regardless of employees' or potential employees' sex, marital status, creed, colour, race, ethnic origin or disability. This commitment applies in respect of all terms and conditions of employment.

Recruitment, promotion and the availability of training are based on the suitability of any applicant and full and fair consideration is always given to disabled persons in such circumstances.

Should an employee become disabled during his or her employment by the company, every effort is made to continue employment and training within their existing capacity wherever practicable, or failing that, in some alternative suitable capacity.

The group has continued throughout the year to provide employees with relevant information and to seek their views on matters of common concern. Priority is given to ensuring that employees are aware of all significant matters affecting the group's performance and of any significant organisational changes.

Donations

During the year the group made charitable donations of £nil (2003:£nil).

No political donations were made in the year (2003:£nil).

Creditor payment policy

For all trade creditors, it is the group's policy to:

- Agree the terms of payment at the start of business with the supplier;
- Ensure that suppliers are aware of the terms of payment;
- Pay in accordance with its contractual and other legal obligations.

The average number of days taken to pay trade creditors by the group and the company at the period end was 40 (2003: 39).

The group does not follow any code or statement on payment practice.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution is to be proposed at the annual general meeting for the reappointment of KPMG Audit Plc as auditors of the company.

Annual General Meeting

Notice of the Annual General Meeting to be held at 1.00pm on 15 July 2004 at Hollinsbrook Way, Pilsworth, Bury, Lancashire BL9 8RR incorporating explanatory notes of the resolutions to be proposed at the meeting is given on page 41. A Form of Proxy is enclosed with this Annual Report and Financial Statements.

By order of the Board

B Small
Secretary

Hollinsbrook Way
Pilsworth
Bury
Lancashire
BL9 8RR
17 May 2004



CORPORATE GOVERNANCE

The company recognises the importance of corporate governance and supports the principles of corporate governance recommended by the Combined Code ("the Code").

The company has complied throughout the year with the provisions of the Code except that the Remuneration Committee and the Audit Committee memberships were not exclusively made up of independent non-executive directors (Code provisions B2.1, B2.2, B2.3 and D3.1). Also from 1 May 2003 to 12 June 2003, non-executive directors did not represent at least one third of the Board (Code provision A3.1).

The directors are also aware of the New Combined Code and are taking a series of steps to achieve full compliance over the coming year.

Directors

The Board of directors carries the ultimate responsibility for the conduct of the business and consists of four non-executive directors, two of whom are independent under the Code and three executive directors. Brief profiles of each director are set out on page 8.

The Board accepts that Mr J Wardle and Mr D Makin are not independent as they have recently held executive positions in the company as well as being substantial shareholders. The Board has given due consideration to the following information before concluding that Mr C Archer and Mr C Bird are independent:

Mr C Bird owns and runs a public relations consultancy (The Bird Consultancy) which organised a Group Management Conference for the company in 2004. The charges for this conference amounted to £139,000 and were largely recharges of venue and presentation costs. Mr Bird was also a director of Manchester City Plc ('MCFC') between June 2000 and March 2003. Mr J Wardle has been a director of MCFC since 1998 and is now Chairman. The company sponsors Manchester City Junior Supporters' Club at a cost of £50,000 for the 2003/04 season. The transactions referred to are not significant in the context of the company and in the Board's view none of these matters have impacted or influenced Mr Bird's role and independence as a director. Indeed his extensive experience in the sports industry and in public relations enhance his contribution as a non-executive director.

Mr C Archer was the relationship manager for the company's bankers, Barclays Plc, between 1984 and his retirement in 1997. He was not involved with the company at all between July 1997 and his appointment in November 2001. In the Board's view this longstanding knowledge of the business enhances the contribution Mr Archer is able to make as a non-executive director and following his retirement from Barclays he is independent.

It is the Board's view that all directors are able to bring independent judgement to bear on Board matters and individual directors possess a wide variety of skills and experience.

Mr F Martin was the recognised senior independent non-executive director until his resignation in March 2004 when Mr C Archer became the recognised senior independent non-executive director.

The composition of the Board is kept under review and changes are made when appropriate and in the best interests of the company.

Board appointments are discussed and implemented by the Board and none of the directors has served for more than three years without having been re-elected by the shareholders.

The Board meets monthly and has a formal schedule of matters reserved for its attention. At these meetings the Board reviews actual results with appropriate trend analysis. Regular and *ad hoc* reports to the Board ensure it is supplied, on a timely basis, with the information it needs.

All the directors have access to the company secretary and a procedure exists for directors, in the furtherance of their duties, to take independent professional advice if necessary, at the company's expense.

The two principal Board Committees are:-

Remuneration Committee

The Remuneration Committee currently comprises 2 non-executive directors, C Archer (Chairman) and C Bird.

The Board will keep the composition of the Remuneration Committee under review.

The Board sets the terms of reference for the Remuneration Committee. The Committee's principal duties are to assist the Board in determining the company's policy on executive directors' remuneration and to determine specific individual remuneration packages for senior executives, including the executive directors, on behalf of the Board.



CORPORATE GOVERNANCE

continued

Audit Committee

The Audit Committee currently comprises 2 non-executive directors, C Archer (Chairman) and C Bird. The Audit Committee meets at least twice each year and the auditors are invited to attend each meeting. The Board sets the terms of reference for the Audit Committee. Its principal duties are to review published financial statements monitor financial accounting procedures and policies and to review the appointment and fees of the auditors.

The Audit Committee has reviewed the directors' statement on internal controls prior to endorsement by the Board, and it reviews reports to management from the group's auditors to ensure that appropriate action is taken to address any significant weaknesses identified.

Nomination Committee

The Board has not previously established a Nomination Committee and senior appointments have been dealt with directly by the Board. As part of the process of complying with the New Code, the Board is in the process of setting up a Nomination Committee.

Directors' remuneration

The report on remuneration and related matters is set out on page 18.

Shareholder relations

The Chairman, Chief Executive and Finance Director have meetings with institutional shareholders and analysts. The company's annual general meeting is used as an opportunity to communicate with private investors and the level of proxies lodged on each resolution is announced to the meeting after the show of hands for that resolution.

Accountability and audit

The Listing Rules require all listed companies to follow the guidance "Internal Control: Guidance for Directors on the Combined Code". The procedures for complying with this guidance have been in place throughout the period under review and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Board.

The directors are responsible for the group's system of internal controls and monitoring their effectiveness.

However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement. The directors have established an organisation structure with clear operating procedures, lines of responsibility, delegated authority to executive management and comprehensive financial reporting. In particular there are clear procedures for the following:-

- Identification of, and monitoring of the business risks facing the company, with major risks identified and reported to the Audit Committee and the Board;
- Capital investment, with detailed appraisal and authorisation procedures;
- Prompt preparation of comprehensive monthly management accounts providing relevant, reliable and up-to-date information. These allow for comparison with budget and previous year's results. Significant variances from approved budgets are investigated as appropriate;
- Preparation of comprehensive annual profit and cash flow budgets allowing management to monitor business activities and major risks and the progress towards financial objectives in the short and medium term;
- Monitoring of store procedures and the reporting and resolution of suspected fraudulent activities.

An Executive Board is in place, which comprises the Board executive directors and two members of senior management. The Executive Board's members are responsible for a wide range of disciplines and it provides a strong link between the Board and management. It meets regularly and is responsible for implementing policies adopted by the Board.

The Board has reviewed the effectiveness of internal controls by reviewing reports covering the testing of internal controls. In establishing the system of internal control the directors have regard to the materiality of relevant risks, the likelihood of a loss being incurred and costs of control. It follows, therefore, that the system of internal control can only provide a reasonable, and not absolute, assurance against the risk of material misstatement or loss.

Internal Audit

The scope of Internal Audit work is determined by the Board in conjunction with the Audit Committee and the Loss Control Director who is a member of the Executive Board. The primary focus has continued to be on security and minimisation of unauthorised losses in the business using a team of appropriately qualified employees.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



REPORT ON REMUNERATION AND RELATED MATTERS

This report complies with the Directors' Remuneration Report Regulations 2002 (the "Regulations") and has been approved by the directors and will be put to shareholders for approval at the annual general meeting on 15 July 2004.

Remuneration Committee

The Remuneration Committee comprises all Non Executive Directors. The Chairman was Mr R Best until Mr F Martin was appointed to the Board in June 2003. Following Mr F Martin's resignation in March 2004, Mr C Archer was appointed Chairman.

The Remuneration Committee assists the Board in determining the company's policy on executive directors' remuneration and determines the specific remuneration packages for senior executives, including the executive directors, on behalf of the Board. The Remuneration Committee has access to independent advice where it considers it appropriate; however, it did not take any independent advice during the year.

The remuneration of the non-executive directors is determined by the Board.

Policy

The main policy of the Committee is to set executives', including executive directors', remuneration at a level that takes account of the size, nature and performance of the group and the individual responsibilities and performance of the executives. The aim is to attract, motivate and retain executives of the necessary calibre.

This report sets out the group's policy on executive remuneration for 2004 and, so far as practicable, for subsequent years (as required by the Regulations). Whilst the Committee is able to state the remuneration policy for 2004 with reasonable certainty, it is less certain that this policy will continue without amendment in subsequent years. This is because the Committee considers that a successful remuneration policy needs to be sufficiently flexible to take into account future changes in the group's business environment and general remuneration practice.

Components of remuneration

The main components of the remuneration package for the forthcoming year of the executive directors are:

Basic salary and annual bonus

Salaries and performance related bonuses and their relative ratios to total remuneration are reviewed annually and the Committee compares current levels with those of similar companies.

Each executive director is entitled to be paid a bonus which is calculated (in bands) by reference to the percentage by which the earnings per ordinary share for a financial year exceeds the earnings per ordinary share for the preceding financial period. The maximum bonus payable to each director is 80% of salary, and is not pensionable.

The company does not currently have a long-term incentive scheme.

Share options

Share options are granted on a selective basis to key positions in the company, including executive directors. Options are granted at the discretion of the Committee which is based on the individuals' key skills and potential importance to the future of the company. Details of directors' options are set out on page 21. These options carry a performance target in relation to growth in earnings per ordinary share over a consecutive three year period and cannot be exercised until at least the third anniversary of grant. The performance targets have been determined in order to align management and shareholder interests.

Other benefits

These include entitlement to pension contributions, fully expensed car, private health care for the executive director and immediate family and life assurance to provide cover equal to four times the executive directors' salary. Car benefits have been calculated in accordance with Inland Revenue scale charges.

Service contracts

Details of the contracts currently in place for executive directors are as follows:

	Date of contract	Notice period (months)	Unexpired Term
Mr B Bown	10 December 2001	12	Rolling 12 months
Mr B Small	10 March 2004	12	Rolling 12 months
Mr P Cowgill	16 March 2004	12	Rolling 12 months

Each service contract includes provision for compensation commitments in the event of early termination. For Mr P Cowgill and Mr B Small these commitments do not exceed one year's salary and benefits. For Mr B Bown the agreement provides for compensation to be paid to him upon termination of appointment of a sum equivalent to 12



REPORT ON REMUNERATION AND RELATED MATTERS

continued

months' salary plus £170,000 (net of PAYE and NIC) plus an amount equal to the value over 12 months of the benefits to which he was entitled at the date of termination.

Each service contract expires upon the director reaching the age of 65 (subject to re-election by shareholders).

The directors consider these levels of compensation appropriate in light of the levels of basic salary provided and market conditions prevailing.

The non-executive directors have entered into letters of appointment with the company for a fixed period of 12 months which are renewable by the Board and the non-executive director, and are terminable by the non-executive director or company on not less than three months' notice.

In the event of gross misconduct, the company may terminate the service contract of an executive director immediately and with no liability to make further payments other than in respect of amounts accrued at the date of termination.

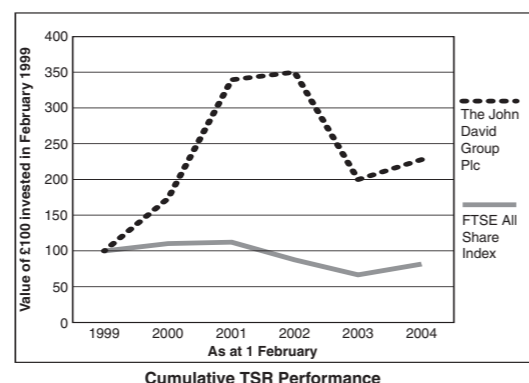
Directors retiring by rotation at the next annual general meeting are shown in the directors' report on page 10.

Total shareholder return

The graph shown opposite compares the performance of the company's 5p Ordinary Shares on a Total Shareholder Return (TSR) basis for the past five years against the FTSE All Share Index.

This index has been selected as The John David Group Plc is a constituent of the FTSE All Share Index.

TSR is shown as the value of £100 invested in the 5p Ordinary Shares and in the FTSE All Share Index over the last five years. TSR is calculated for each year relative to the base date of 1 February 1999 and taking the percentage change of the market price over the relevant period, re-investing any dividends at the ex-dividend rate.



The remainder of this report on remuneration and related matters is subject to audit.

Individual directors emoluments

Directors' salaries and benefits are set out below. This excludes amounts in respect of any gains on the exercise of share options which are detailed on page 21.

	Salary and fees £000	Benefits excluding pensions £000	Compensation for loss of office £000	2004 Total £000	2003 Total £000	2004 Pension contributions £000	2003 Pension contributions £000
R Best	186	1	-	187	22	20	-
B Bown	192	1	-	193	182	17	11
B Small	10	1	-	11	-	1	-
M Blackhurst	115	-	241	356	140	8	7
F Martin	20	-	-	20	-	-	-
J Wardle	58	1	-	59	76	-	-
D Makin	84	1	-	85	76	-	-
C Archer	22	-	-	22	17	-	-
C Bird	17	-	-	17	-	-	-
	704	5	241	950	513	46	18

The pension contributions represent amounts payable to a defined contribution pension plan.

REPORT ON REMUNERATION AND RELATED MATTERS

continued

Details of share options held by the directors at 31 January 2003 and at 31 January 2004 were as follows:

	Number of share options at 31 January 2003	Number of share options at 31 January 2004	Option exercise price per share	Usual date from which exercisable	Usual expiry date
R Best (i)	-	518,518	162.0p	12.06.2006	12.06.2013
B Bown	20,000	20,000	306.5p	23.10.1999	23.10.2006
B Bown	120,000	120,000	331.0p	07.06.2004	07.06.2011
B Bown	20,000	20,000	262.0p	29.07.2005	29.07.2012
B Bown (i)	-	70,000	162.0p	12.06.2006	12.06.2013
B Small (i)	-	100,000	168.0p	20.01.2007	20.01.2014

(i) These options were granted during the year.

No options held by directors were exercised during the year or the previous period. The market value of the company's shares at 31 January 2004 was 175.0p. The highest and lowest prices during the year were 196.5p and 123.0p respectively.

By order of the Board

B Small
Secretary
17 May 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of The John David Group Plc

We have audited the financial statements on pages 24 to 40. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 21 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on page 16 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 January 2004 and of the profit of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants
Registered Auditor
Preston
11 May 2004



CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 January 2004

	Note	12 months to 31 January 2004 continuing operations £000	10 months to 31 January 2003 continuing operations £000
Turnover		458,073	370,804
Cost of sales		(249,379)	(202,229)
Gross profit		208,694	168,575
Distribution costs - normal		(186,117)	(141,145)
Distribution costs - exceptional		(1,366)	(2,933)
Administrative expenses - normal		(13,503)	(10,167)
Administrative expenses - exceptional		(612)	(581)
Other operating income	1	638	333
Operating profit		7,734	14,082
Before exceptional items and goodwill amortisation		10,498	18,017
Exceptional items	1	(1,978)	(3,514)
Goodwill amortisation	1	(786)	(421)
Operating profit		7,734	14,082
Loss on disposal of fixed assets		(1,095)	(433)
Profit on ordinary activities before interest		6,639	13,649
Interest receivable and similar income	4	100	212
Interest payable and similar charges	5	(4,634)	(3,080)
Profit on ordinary activities before taxation		2,105	10,781
Taxation on profit on ordinary activities	6	(1,457)	(4,024)
Profit for the financial period		648	6,757
Dividends paid and proposed	7	(3,038)	(3,038)
Retained (loss)/profit for the financial period	18	(2,390)	3,719
Earnings per ordinary share	8		
- basic		1.39p	14.46p
- adjusted basic to exclude exceptional items and goodwill amortisation		6.21p	21.18p
- diluted		1.39p	14.45p

The group and company has no recognised gains or losses during the current year or previous period other than the results reported above. The results above also represent the historical cost profit.

BALANCE SHEETS

as at 31 January 2004

		Group		Company	
	Note	31 January 2004 £000	31 January 2003 £000	31 January 2004 £000	31 January 2003 £000
Fixed assets					
Intangible fixed assets	9	14,976	11,643	14,976	-
Tangible fixed assets	10	68,183	74,292	68,183	50,256
Current assets					
Stocks	11	65,727	69,171	65,727	69,171
Debtors	12	14,452	13,632	22,123	63,970
Cash at bank and in hand	24	4,934	3,527	4,933	3,012
		85,113	86,330	92,783	136,153
Creditors: amounts falling due within one year	13	(55,667)	(53,157)	(62,490)	(65,543)
Net current assets		29,446	33,173	30,293	70,610
Total assets less current liabilities		112,605	119,108	113,452	120,866
Creditors:					
amounts falling due after more than one year	14	(51,555)	(56,294)	(51,531)	(54,748)
Provisions for liabilities and charges	16	(3,756)	(4,050)	(4,033)	(3,682)
Net assets		57,294	58,764	57,888	62,436
Capital and reserves					
Called up share capital	17	2,338	2,338	2,338	2,338
Share premium account	18	8,917	8,917	8,917	8,917
Profit and loss account	18	46,039	47,509	46,633	51,181
Equity shareholders' funds	19	57,294	58,764	57,888	62,436

These financial statements were approved by the Board of directors on 11 May 2004 and were signed on its behalf by:

B Bown
B Small
Directors

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 January 2004

		12 months to 31 January 2004 £000	10 months to 31 January 2003 £000
	Note		
Net cash inflow from operating activities	22	23,600	28,194
Returns on investments and servicing of finance	23	(4,302)	(2,734)
Taxation		(1,287)	(5,957)
Capital expenditure	23	(9,229)	(18,005)
Acquisitions	23	-	(52,201)
Equity dividends paid		(4,375)	(2,431)
Net cash inflow/(outflow) before financing		4,407	(53,134)
Financing	23	(3,000)	55,675
Increase in cash in the period		1,407	2,541

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the year ended 31 January 2004

		12 months to 31 January 2004 £000	10 months to 31 January 2003 £000
	Note		
Increase in cash in the period	24	1,407	2,541
Cash outflow/(inflow) from movement in debt and lease financing		3,000	(55,665)
Movement in net debt in the period		4,407	(53,124)
Net debt at start of period		(55,473)	(2,349)
Net debt at end of period	24	(51,066)	(55,473)

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of The John David Group Plc and its subsidiary undertakings. Subsidiary undertakings acquired during the period are accounted for under the acquisition method of accounting. Under this method, the results of subsidiary undertakings are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Goodwill arising on acquisitions is capitalised in the consolidated balance sheet and amortised through the consolidated profit and loss account over its estimated useful economic life, being 20 years. Goodwill is based on the costs of acquisition less the fair value of assets acquired.

Company financial statements

In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost less provisions for diminution in value. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company. As permitted by Section 230(4) of the Companies Act 1985, the company has not presented its own profit and loss account.

Following the transfer of trade and assets, from First Sport Ltd to the company, goodwill arising in the company financial statements is capitalised and amortised through the company's profit and loss account. This is amortised over 20 years being the useful economic life.

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis or reducing balance basis over their estimated useful economic lives as follows:

Freehold land and buildings	2% per annum on a straight line basis
Long leasehold land and buildings	life of lease on a straight line basis
Short leasehold land and buildings	life of lease on a straight line basis
Computer equipment	3-6 years on a straight line basis
Fixtures and fittings	10 years, or length of lease if shorter, on a straight line basis
Motor vehicles	25% per annum reducing balance

Property incentives

Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the profit and loss account on a straight line basis over the lease term or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pensions and other post-retirement benefits

The group operates two defined contribution pension schemes, the assets of which are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving and damaged items where appropriate.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period and relates to the principal business activity.

Deferred taxation

Deferred tax liabilities are recognised without discounting in respect of all material timing differences that have originated but not reversed at the balance sheet date, except as otherwise required by FRS19.

NOTES TO THE FINANCIAL STATEMENTS

1 Profit on ordinary activities before taxation	12 months to	10 months to
	31 January 2004 £000	31 January 2003 £000
Profit on ordinary activities before taxation is stated		
after charging		
Auditors' remuneration:		
Audit Services - Statutory audit	70	63
- Other non-audit services	15	11
Tax services	20	17
Depreciation and other amounts written off tangible fixed assets:		
Owned	10,060	7,907
Goodwill amortisation	786	421
Rentals payable under operating leases for:		
Land and buildings	57,894	44,515
Other - plant and machinery	402	195
Exceptional items:		
Redundancy costs	978	1,861
Store closure costs	479	-
Lease and contract exit payments	314	778
Warehousing, distribution and other reorganisation costs	130	475
OFT investigation into replica kits	77	400
after crediting		
Rents receivable and other income from property	638	333

Included in auditors' remuneration above is £50,500 (2003: £42,500) relating to the audit of the parent company.

Fees paid to the auditors in 2004, relating to the acquisition of the four companies making up the First Sport division of Blacks Leisure Group Plc, of £12,000 (2003: £399,000) have been included in goodwill.

2 Remuneration of directors	12 months to	10 months to
	31 January 2004 £000	31 January 2003 £000
Directors' emoluments:		
As non-executive directors	68	39
As executive directors	641	474
Pension contributions	46	18
Compensation for loss of office	241	-
	996	531

Information on directors' share options and further information on directors' emoluments is shown in the Report on Remuneration and Related Matters on page 18.

3 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2004	2003
Sales and distribution	8,947	8,571
Administration	254	284
	9,201	8,855
Full time equivalents	5,141	5,114

NOTES TO THE FINANCIAL STATEMENTS

continued

Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	12 months to	10 months to
	31 January 2004 £000	31 January 2003 £000
Wages and salaries	68,054	50,807
Social security costs	4,012	3,193
Other pension costs (see note 21)	303	351
	72,369	54,351

4 Interest receivable	12 months to	10 months to
	31 January 2004 £000	31 January 2003 £000
Bank interest	96	178
Other interest	4	34
	100	212

5 Interest payable and similar charges	12 months to	10 months to
	31 January 2004 £000	31 January 2003 £000
On bank loans and overdrafts	4,565	2,995
Finance charges payable in respect of finance leases and similar hire purchase contracts	-	42
Other interest charges	69	43
	4,634	3,080

6 Taxation	12 months to	12 months to	10 months to	10 months to
	31 January 2004 £000	31 January 2004 £000	31 January 2003 £000	31 January 2003 £000
UK corporation tax at 30% (2003: 30%)	215		2,289	
Adjustment relating to an earlier period	(56)		46	
Total current tax charge		159		2,335
Deferred taxation	1,330		1,689	
Adjustment relating to an earlier period	(32)		-	
Total deferred tax charge (see note 16)		1,298		1,689
		1,457		4,024

The deferred taxation charge relates to the origination and reversal of timing differences.

NOTES TO THE FINANCIAL STATEMENTS

continued

Tax charge reconciliation	12 months to	10 months to
	31 January	31 January
	2004	2003
	£000	£000
Profit on ordinary activities before tax multiplied by the standard rate of tax - 30% (2003:30%)	632	3,234
Effects of:		
Expenses not deductible - normal	110	45
Expenses not deductible - exceptional re: lease and contract exit payments	34	177
Income not taxable	-	(26)
Capital allowances in excess of depreciation on qualifying assets	(797)	(992)
Depreciation on non qualifying fixed assets	722	667
Profit on non qualifying fixed assets	(128)	-
Goodwill amortisation not deductible	236	126
Impact of tax allowable fair value adjustments	(594)	(867)
Other timing differences	-	(75)
Adjustments to tax charge in respect of previous periods	(56)	46
Total current tax charge	159	2,335

Accelerated capital allowances are likely to reduce the current tax charge in future periods, being more than offset by depreciation on non-qualifying assets and goodwill amortisation which are not tax deductible.

7 Dividends paid and proposed	12 months to	10 months to
	31 January	31 January
	2004	2003
	£000	£000
Ordinary shares:		
Interim paid - 2.86p per ordinary share (2003: 2.86p)	1,337	1,337
Final proposed - 3.64p per ordinary share (2003: 3.64p)	1,701	1,701
Total dividend 6.50p per ordinary share (2003: 6.50p)	3,038	3,038

8 Earnings per ordinary share

Basic earnings per ordinary share represents the profit for the financial period of £648,000 (2003: £6,757,000) divided by the weighted average number of ordinary shares in issue of 46,748,607 (2003: 46,743,692). Adjusted basic earnings per ordinary share have been based on the profit on ordinary activities after taxation for each financial period but excluding exceptional items and goodwill amortisation since the directors consider that this gives a more meaningful measure of the underlying performance of the group. The diluted earnings per ordinary share is based on 46,750,776 (2003: 46,747,348) ordinary shares, the difference to the basic calculation representing the additional shares that would be issued on the conversion of all the dilutive potential ordinary shares. There is no material difference to earnings per ordinary share if all the dilutive potential ordinary shares are converted.

Earnings attributable to ordinary shareholders	As at	As at
	31 January	31 January
	2004	2003
	£000	£000
Profit on ordinary activities after taxation	648	6,757
Exceptional items	1,978	3,514
Tax relating to exceptional items	(509)	(791)
Goodwill amortisation	786	421
Profit after taxation excluding exceptional items and goodwill amortisation	2,903	9,901
Adjusted basic earnings per ordinary share	6.21p	21.18p

NOTES TO THE FINANCIAL STATEMENTS

continued

9 Intangible fixed assets Group	Goodwill
	£000
Cost	
At beginning of year	12,064
Additions	4,119
At end of year	16,183
Amortisation	
At beginning of year	421
Charge in the year	786
At end of year	1,207
Net book value at 31 January 2004	14,976
Net book value at 31 January 2003	11,643

On 21 May 2002 the group purchased four companies making up the First Sport division of Blacks Leisure Group Plc. The fair value adjustments and goodwill calculation are summarised below:

	Fair value reported in 2003 £000	Fair value adjustment £000	Revised fair value 2004 £000
Tangible fixed assets	24,594	(4,183)	20,411
Stocks	32,926	(1,454)	31,472
Trade debtors	787	(50)	737
Other debtors	5,041	-	5,041
Cash at bank	3,253	-	3,253
Trade creditors	(14,569)	(171)	(14,740)
Other creditors	(10,255)	147	(10,108)
Deferred Tax	655	1,592	2,247
Net assets acquired at fair value	42,432	(4,119)	38,313
Goodwill capitalised			16,183
Loan finance costs			958
Consideration			55,454

The total purchase price at acquisition was £55,454,000 comprising cash consideration of £52,886,000 and acquisition costs of £2,568,000. This resulted in goodwill on acquisition of £12,064,000 based on a fair value reported in 2003 of £42,432,000.

During the current year, the directors completed their review into the fair values of the assets acquired. Based on this review, goodwill arising on acquisition has increased by £4,119,000 reflecting the fair value adjustments in the above table.

Tangible fixed assets have been adjusted by £4,183,000 to reflect further fixed asset impairments in loss making stores and obsolete software. A further adjustment of £1,454,000 has been made to stock to reflect realisable value.

The deferred tax impact of the further fair value adjustments is to recognise a further asset of £1,592,000.

NOTES TO THE FINANCIAL STATEMENTS

continued

Intangible fixed assets (continued)

Company	Goodwill £000
Cost	
At beginning of year	-
Additions	14,976
At end of year	14,976
Amortisation	
At beginning of year	-
Charge in the year	-
At end of year	-
Net book value at 31 January 2004	14,976
Net book value at 31 January 2003	-

On 31 January 2004, the trade, assets and liabilities of First Sport Limited were transferred up to The John David Group Plc. The balances transferred are summarised below:

	£000
Fair Value and Book Value	
Tangible fixed assets	19,724
Trade debtors	1,020
Other debtors	6,508
Cash at bank and in hand	(419)
Trade creditors	(1,435)
Other creditors	(10,046)
Inter-company balance	(23,828)
Provisions	82
Net liabilities acquired	(8,394)
Goodwill capitalised	14,976
Consideration	6,582

The total purchase price on transfer of the trade, assets and liabilities was £6,582,000 comprising an inter-company debtor.

NOTES TO THE FINANCIAL STATEMENTS

continued

10 Tangible fixed assets

Group	Freehold land and buildings £000	Long leasehold land and buildings £000	Short leasehold land and buildings £000	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost							
At beginning of year	140	4,448	27,116	10,213	81,599	1,556	125,072
Additions	-	-	1,375	1,386	8,378	354	11,493
Fair value adjustment	300	-	-	-	-	-	300
Disposals	(440)	-	(3,964)	(348)	(4,579)	(315)	(9,646)
At end of year	-	4,448	24,527	11,251	85,398	1,595	127,219
Depreciation							
At beginning of year	140	419	10,720	5,653	33,301	547	50,780
Charge for year	-	89	1,572	1,087	7,025	287	10,060
Fair value adjustments	-	-	1,957	1,030	1,496	-	4,483
On disposals	(140)	-	(2,637)	(196)	(3,127)	(187)	(6,287)
At end of year	-	508	11,612	7,574	38,695	647	59,036
Net book value							
At 31 January 2004	-	3,940	12,915	3,677	46,703	948	68,183
At 31 January 2003	-	4,029	16,396	4,560	48,298	1,009	74,292

Company	Long leasehold land and buildings £000	Short leasehold land and buildings £000	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
At beginning of year	-	10,589	6,782	58,059	1,467	76,897
Additions	-	753	1,056	4,360	354	6,523
Inter-company transfers in	4,448	13,429	3,635	23,730	41	45,283
Disposals	-	(244)	(222)	(751)	(267)	(1,484)
At end of year	4,448	24,527	11,251	85,398	1,595	127,219
Depreciation						
At beginning of year	-	3,108	3,582	19,461	490	26,641
Charge for year	-	757	1,000	5,889	274	7,920
Inter-company transfers in	508	7,917	3,183	13,916	35	25,559
On disposals	-	(170)	(191)	(571)	(152)	(1,084)
At end of year	508	11,612	7,574	38,695	647	59,036
Net book value						
At 31 January 2004	3,940	12,915	3,677	46,703	948	68,183
At 31 January 2003	-	7,481	3,200	38,598	977	50,256

NOTES TO THE FINANCIAL STATEMENTS

continued

11 Stocks

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Finished goods and goods for resale	65,727	69,171	65,727	69,171

12 Debtors

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Trade debtors	1,086	1,032	1,194	896
Other debtors	-	4	-	-
Amounts owed by other group companies	-	-	7,563	57,686
Prepayments and accrued income	13,366	12,596	13,366	5,388
	14,452	13,632	22,123	63,970

Amounts owed by other group companies includes £7.56 million (2003: £55.75 million) due after more than one year.

13 Creditors: amounts falling due within one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans and overdrafts (see also note 14)	8,000	6,000	8,000	6,000
Trade creditors	30,430	29,470	30,430	26,328
Other creditors including taxation and social security:				
Corporation tax	(611)	(218)	(551)	1,570
Other taxes and social security	8,191	6,323	8,191	4,884
Amounts owed to other group companies	-	-	6,582	20,078
Other creditors	-	-	345	-
Accruals and deferred income	8,876	8,544	8,712	3,645
Dividends proposed	781	3,038	781	3,038
	55,667	53,157	62,490	65,543

NOTES TO THE FINANCIAL STATEMENTS

continued

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans and overdrafts (see also note 13)	48,000	53,000	48,000	53,000
Accruals and deferred income	3,555	3,294	3,531	1,748
	51,555	56,294	51,531	54,748

The bank loans and overdrafts fall due for repayment as follows:

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans and overdrafts				
Within one year	8,000	6,000	8,000	6,000
Between one and two years	8,000	8,000	8,000	8,000
Between two and five years	40,000	45,000	40,000	45,000
	56,000	59,000	56,000	59,000

The bank loans and overdrafts are secured by a fixed and floating charge over all the group's assets.

The rates of interest payable on current bank loans and overdrafts are detailed in note 15 to the accounts.

15 Financial instruments

The group's financial instruments at the year end comprised cash, bank borrowings and various non-derivative financial instruments such as trade debtors and trade creditors. As permitted by Financial Reporting Standard 13 (FRS13), in this note short term debtors and creditors have been excluded from all FRS13 disclosures.

The group uses financial instruments to manage financial and commercial risk wherever it is appropriate to do so. An explanation of the group's treasury policy can be found in the operating and financial review on page 6. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk

The group finances its operations by a mixture of retained profits and bank borrowings. Interest rate risk therefore arises from bank borrowings. The group manages its risk by using a combination of fixed and floating interest rates, which it reviews on a regular basis.

A hedging agreement is in place in relation to the core group borrowings.

Currency risk

The group does not face significant currency risk since its operations are largely UK based and the majority of transactions are denominated in sterling.

NOTES TO THE FINANCIAL STATEMENTS

continued

Financial assets

Financial assets comprise short term cash deposits with major United Kingdom and European clearing banks and earn floating rates of interest based upon bank base rates or rates linked to LIBOR.

	2004 £000	2003 £000
Cash at bank and in hand	4,934	3,527

The currency profile of financial assets was:

	2004 £000	2003 £000
Sterling	4,759	3,410
Euros	175	117
	4,934	3,527

Financial liabilities

The interest rate risk profile of the group's financial liabilities is as follows:

	2004 £000	2003 £000
Fixed rate financial liabilities	34,000	40,000
Floating rate financial liabilities	22,000	19,000
	56,000	59,000
Fixed rate weighted average interest rate at 31 January	6.9%	6.9%

The weighted average period for which the fixed rate borrowings are fixed is 3.3 years (2003: 4.3 years). No new hire purchase contracts were entered into during the year. The company has a swap agreement in relation to the fixed rate financial liabilities of £34 million. The swap expires on 3 May 2007 and fixes the interest rate payable at 5.5525% plus 1.675% on the reducing balance of the fixed term loan.

Interest on floating rate financial liabilities is based on the relevant LIBOR rate plus 1.675%.

In the opinion of the Board, the fair value of the group's financial assets and liabilities is equal to the book value.

Liquidity risk

During the year, the group's policy has been to ensure continuity through loan funding, with short term flexibility achieved by a revolving credit facility.

The maturity profile of drawn down financial liabilities at the end of the year is as follows:

	2004 £000	2003 £000
Due within one year or less, or on demand	8,000	6,000
Due between one and two years	8,000	8,000
Due between two and five years	40,000	45,000
	56,000	59,000

In addition, there are undrawn committed facilities with a maturity profile as follows. Interest on these facilities is 0.6875%

	2004 £000	2003 £000
Due within one year or less, or on demand	-	-
Due between one and two years	-	-
Due between two and five years	18,000	21,000
	18,000	21,000

NOTES TO THE FINANCIAL STATEMENTS

continued

16 Provisions for liabilities and charges

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
At beginning of period	4,050	3,016	3,682	3,016
Charge for the period in the profit and loss account (note 6)	1,298	1,689	433	666
Acquisition	-	(655)	-	-
Fair Value adjustments (see note 9)	(1,592)	-	-	-
Transfers in	-	-	(82)	-
At end of period	3,756	4,050	4,033	3,682

The amounts provided for deferred taxation are set out below:

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Difference between accumulated depreciation and capital allowances	4,032	4,298	4,033	3,682
Onerous lease provision	(276)	(248)	-	-
	3,756	4,050	4,033	3,682

17 Called up share capital

	2004 £000	2003 £000
Authorised		
Ordinary shares of 5p each	3,108	3,108
Allotted, called up and fully paid		
Ordinary shares of 5p each	2,338	2,338

Share options

The company has outstanding options in respect of the following shares under the Inland Revenue Approved Employee Share Option Scheme and the Unapproved Employee Share Option Scheme:

	Date of grant	Number of share options	Subscription price per share
Inland Revenue Approved Employee Share Option Scheme	23.10.96	56,935	306.5p
Inland Revenue Approved Employee Share Option Scheme	30.01.98	8,130	123.0p
Inland Revenue Approved Employee Share Option Scheme	07.06.01	183,318	331.0p
Inland Revenue Approved Employee Share Option Scheme	29.07.02	11,450	262.0p
Inland Revenue Approved Employee Share Option Scheme	12.06.03	274,310	162.0p
Inland Revenue Approved Employee Share Option Scheme	14.10.03	50,181	165.0p
Inland Revenue Approved Employee Share Option Scheme	20.01.04	17,857	168.0p
Unapproved Employee Share Option Scheme	23.10.96	111,065	306.5p
Unapproved Employee Share Option Scheme	07.06.01	323,682	331.0p
Unapproved Employee Share Option Scheme	29.07.02	103,550	262.0p
Unapproved Employee Share Option Scheme	12.06.03	1,070,208	162.0p
Unapproved Employee Share Option Scheme	14.10.03	1,819	165.0p
Unapproved Employee Share Option Scheme	20.01.04	82,143	168.0p

The share options are exercisable during the period beginning three years after and ending ten years after the date of grant, and are subject to a performance condition that requires a growth in earnings per ordinary share over a consecutive three year period.

NOTES TO THE FINANCIAL STATEMENTS

continued

18 Reserves

	Group		Company	
	Share premium account £000	Profit and loss account £000	Share premium account £000	Profit and loss account £000
At beginning of year	8,917	47,509	8,917	51,181
Retained (loss)/profit for the financial year	-	(2,390)	-	(5,468)
Irrevocable dividend waiver	-	920	-	920
At end of year	8,917	46,039	8,917	46,633

Irrevocable undertakings to elect to receive the Scrip Dividend Alternative have been given by holders of 54% of the ordinary share capital in relation to the holdings of John Wardle and David Makin, the founder shareholders.

19 Reconciliation of movements in shareholders' funds

	Group		Company	
	31 January 2004 £000	31 January 2003 £000	31 January 2004 £000	31 January 2003 £000
Profit/(loss) for the financial period	648	6,757	(2,430)	10,429
Dividends paid and proposed	(3,038)	(3,038)	(3,038)	(3,038)
Retained (loss)/profit for the financial period	(2,390)	3,719	(5,468)	7,391
Irrevocable dividend waiver (see note 18)	920	-	920	-
Proceeds from issue of ordinary shares	-	10	-	10
Net movement in equity shareholders' funds	(1,470)	3,729	(4,548)	7,401
Shareholders' funds at beginning of period	58,764	55,035	62,436	55,035
Shareholders' funds at end of period	57,294	58,764	57,888	62,436

20 Commitments

Group

(i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	31 January 2004 £000	31 January 2003 £000
Contracted	1,696	2,980

(ii) Annual commitments under non-cancellable operating leases are as follows:

	31 January 2004 £000	31 January 2004 £000	31 January 2003 £000	31 January 2003 £000
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire:				
Within one year	1,363	181	1,398	201
In the second to fifth years inclusive	3,783	25	5,102	381
Over five years	52,359	-	51,640	-
	57,505	206	58,140	582

NOTES TO THE FINANCIAL STATEMENTS

continued

Company

(i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	31 January 2004 £000	31 January 2003 £000
Contracted	1,696	2,980

(ii) Annual commitments under non-cancellable operating leases are as follows:

	31 January 2004 £000	31 January 2004 £000	31 January 2003 £000	31 January 2003 £000
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire:				
Within one year	1,363	181	694	11
In the second to fifth years inclusive	3,783	25	2,698	87
Over five years	52,359	-	27,222	-
	57,505	206	30,614	98

21 Pension plan

The group operates two defined contribution pension schemes. The pension charge for the year represents contributions payable by the group of £257,000 (2003: £333,000), plus £46,000 (2003: £18,000) in respect of directors. The amount owed to the Schemes at the year end was £7,000 (2003: £9,000).

22 Reconciliation of group operating profit to net cash inflow from operating activities for the year ended 31 January 2004

	12 months to 31 January 2004 £000	10 months to 31 January 2003 £000
Operating profit	7,734	14,082
Goodwill amortisation	786	421
Depreciation charge	10,060	7,907
Decrease in stocks	1,990	227
Decrease/(increase) in debtors	80	(1,230)
Increase in creditors	2,950	6,787
Net cash inflow from operating activities	23,600	28,194

The exceptional costs disclosed in note 1 result in operating cash outflows of £1,978,000 (2003: £3,514,000)

23 Analysis of cash flows for headings netted in the cash flow statement

	12 months to 31 January 2004 £000	10 months to 31 January 2003 £000
Returns on investments and servicing of finance		
Interest received	100	212
Interest paid	(4,402)	(2,904)
Interest element of hire purchase contract and loan payments	-	(42)
Returns on investments and servicing of finance	(4,302)	(2,734)

NOTES TO THE FINANCIAL STATEMENTS

continued

Analysis of cash flows for headings netted in the cash flow statement (continued)

		12 months to 31 January 2004 £000	10 months to 31 January 2003 £000
Capital expenditure:	Purchase of tangible fixed assets	(11,493)	(18,166)
	Sale of tangible fixed assets	2,264	161
	Capital expenditure	(9,229)	(18,005)
Acquisitions:	Consideration - net of cash balances acquired (see note 9)	-	(51,243)
	Loan finance costs	-	(958)
	Acquisitions	-	(52,201)
Financing:	Receipts from new loans	-	59,000
	Net loan repayments	(3,000)	(3,335)
	Issue of ordinary shares	-	10
	Financing	(3,000)	55,675

24 Analysis of net debt	At 31 January	Cash	At 31 January
	2003	flow	2004
	£000	£000	£000
Cash at bank and in hand	3,527	1,407	4,934
Loans	3,527 (59,000)	1,407 3,000	4,934 (56,000)
Total	(55,473)	4,407	(51,066)

25 Related party transactions

The group has taken advantage of the exemption available under FRS8 whereby it does not need to disclose related party transactions with other 90% group companies.

Administrative expenses includes £139,000 (2003: £nil) relating to a Group Management Conference which was organised and invoiced by the Bird Consultancy. These charges were largely recharges of venue and presentation costs. Chris Bird is a director of the Bird Consultancy as well as being a Non-Executive Director of The John David Group Plc.

26 Principal subsidiary undertakings

The following companies were the principal subsidiary undertakings as at 31 January 2004. The companies are wholly owned, operate in the UK and are included in the consolidated financial statements.

	Nature of business
First Sport Limited	Dormant
Active Venture Limited	Dormant
The Sports Shop (Fife) Limited	Dormant
Sport and Fashion Retail Distribution Limited	Dormant
Athleisure Limited	Investment company
JD Sports Limited	Dormant

With the exception of Athleisure Limited and JD Sports Limited, all these holdings were indirectly owned by the parent company at the balance sheet date.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the next annual general meeting of The John David Group Plc (the "company") will be held at Hollinsbrook Way, Pilsworth, Bury, Lancashire BL9 8RR on 15 July 2004 at 1.00 p.m. for the following purposes:

Ordinary business

- To receive and consider the directors' report and audited financial statements for the year ended 31 January 2004, and the auditor's report on the financial statements and the audited part of the Report on Remuneration and Related Matters.
- To approve the Report on Remuneration and Related Matters.
- To declare a final dividend on the ordinary shares of the company for the year ended 31 January 2004 of 3.64p per ordinary share, payable to shareholders registered at the close of business on 19 May 2004.
- To re-elect Mr B Bown as a director of the company, who retires by rotation.
- To re-elect Mr C Archer as a director of the company, who retires by rotation.
- To confirm the appointment of Mr P Cowgill as a director of the company.
- To confirm the appointment of Mr B Small as a director of the company.
- To reappoint KPMG Audit Plc of Edward VII Quay, Navigation Way, Ashton-on-Ribble, Preston, PR2 2YF as auditors of the company and its subsidiaries to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the company at which accounts are laid.
- To authorise the Audit Committee to determine the auditor's remuneration.

Special business

To consider and, if thought fit, pass the following resolutions of which resolutions 10 and 11 will be proposed as ordinary resolutions and resolution 12 will be proposed as a special resolution.

Ordinary resolution

- That, in substitution for any existing authority under that section, the directors of the company be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the company to allot and make offers or agreements to allot relevant securities (as defined by section 80(2) of the Act) up to an aggregate nominal amount of £770,070 provided that this authority shall (unless previously revoked, varied or renewed) expire at the conclusion of the next annual general meeting of the company after the passing of this resolution or on 14 October 2005 (whichever is the earlier) save that the company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired.
- That, the directors of the company be and are hereby authorised to offer ordinary shareholders the choice of receiving the whole or part of the proposed final dividend of 3.64p per share for the year ended 31 January 2004 in new fully paid ordinary shares of the company instead of cash.

Special resolution

- That, in accordance with the general authority granted to the directors under the terms of section 80 of the Companies Act 1985 (the "Act"), the directors be and are hereby generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) as if section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- the allotment of equity securities in connection with an offer whether by way of rights issue, open offer or otherwise to holders of equity securities in the capital of the company in proportion (as nearly as practicable) to their respective holdings of such securities (but subject to such exclusions or other arrangements as the

NOTICE OF ANNUAL GENERAL MEETING

continued

directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory);

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £116,871, being 5% of the issued ordinary share capital of the company as at 19 May 2004.

Provided that (unless previously revoked, varied or renewed) this power shall expire at the earlier of the conclusion of the next annual general meeting of the company held after the passing of this resolution and 14 October 2004 except that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

B Small
Secretary
14 June 2004

Hollinsbrook Way
Pilsworth
Bury
Lancashire BL9 8RR

Notes

- 1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote in his or her place. A proxy need not be a member of the company.
- 2 To be valid, forms of proxy must be lodged at the office of the company's registrars, Lloyds TSB Registrars, 54 Pershore Road South, Birmingham B22 1AF, not less than 48 hours before the time appointed for the holding of the meeting. A form of proxy is enclosed.
- 3 Completion and return of the form of proxy will not prevent a member from attending and voting in person should he or she so wish.
- 4 Only the members registered in the register of members of the company as at the close of business on 13 July 2004 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after close of business on 13 July 2004 or, in the event that the meeting is adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 5 Biographical details of all those directors who are offering themselves for election or re-election at the meeting are set out on page 8 of this annual report and accounts.

FIVE YEAR RECORD

Consolidated profit and loss accounts

	Year ended 31 January 2004 £000	10 months to 31 January 2003 £000	Year ended 31 March 2002 £000	Year ended 31 March 2001 £000	Year ended 31 March 2000 £000
Turnover	458,073	370,804	245,621	204,465	171,446
Cost of sales	(249,379)	(202,229)	(130,144)	(109,469)	(92,503)
Gross profit	208,694	168,575	115,477	94,996	78,943
Distribution costs - normal	(186,117)	(141,145)	(88,346)	(72,014)	(60,073)
Distribution costs - exceptional	(1,366)	(2,933)	-	-	-
Administrative expenses - normal	(13,503)	(10,167)	(6,759)	(6,152)	(5,692)
Administrative expenses - exceptional	(612)	(581)	-	-	-
Other operating income	638	333	67	22	19
Operating profit	7,734	14,082	20,439	16,852	13,197
Operating profit before exceptional items and goodwill amortisation	10,498	18,017	20,439	16,852	13,197
Exceptional items	(1,978)	(3,514)	-	-	-
Goodwill amortisation	(786)	(421)	-	-	-
Operating profit	7,734	14,082	20,439	16,852	13,197
Loss on sale of fixed assets	(1,095)	(433)	(187)	(95)	(383)
Interest receivable	100	212	104	154	106
Interest payable and similar charges	(4,634)	(3,080)	(283)	(443)	(715)
Profit before taxation	2,105	10,781	20,073	16,468	12,205
Taxation	(1,457)	(4,024)	(6,235)	(5,120)	(3,835)
Profit after taxation	648	6,757	13,838	11,348	8,370
Dividends paid and proposed	(3,038)	(3,038)	(3,646)	(3,220)	(2,791)
Retained (loss)/profit for the financial period	(2,390)	3,719	10,192	8,128	5,579
Basic earnings per ordinary share	1.39p	14.46p	29.61p	24.38p	18.00p
Adjusted basic earnings per ordinary share	6.21p	21.18p	29.61p	24.38p	18.00p
Dividends per ordinary share	6.5p	6.5p	7.8p	6.9p	6.0p

Adjusted basic earnings per ordinary share is based on earnings before exceptional items and goodwill amortisation.

FINANCIAL CALENDAR

Final results announced	11 May 2004
Financial statements published	16 June 2004
Annual general meeting	15 July 2004
Final dividend record date	21 May 2004
Final dividend payable	2 August 2004
Interim results announced	October 2004
Year end	31 January 2005
Final results announced	April 2005

ADVISERS

Registered Office

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Hollinsbrook Way
Pilsworth
Bury
Lancashire BL9 8RR

Company number

Registered in England and Wales,
number 1888425

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Ashton-on-Ribble
Preston
Lancashire
PR2 2YF

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EC2V 7QP

Principal bankers

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Sutton
Surrey SM1 1DR

Solicitors

DLA
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Princes Square
Leeds LS1 4BY

Registrars

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