



®

**ANNUAL REPORT  
& ACCOUNTS 2005**

***the john david group plc***

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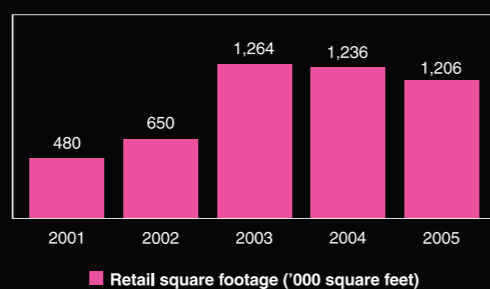
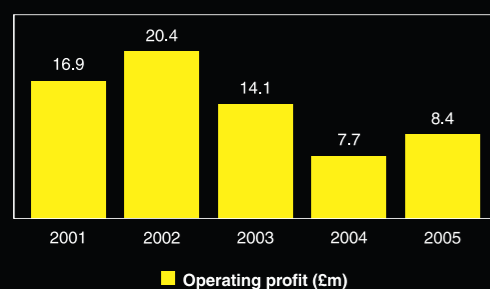
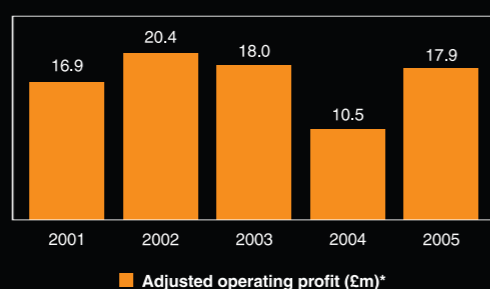
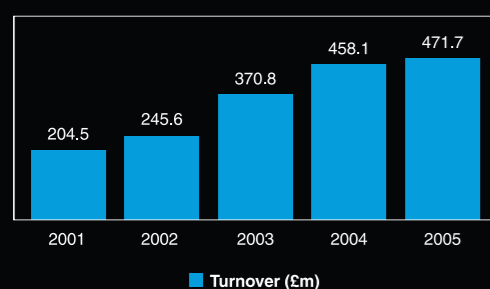
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# SUMMARY OF FINANCIAL PERFORMANCE

	52 weeks ended 29 January 2005 £000	Year ended 31 January 2004 £000
<b>TURNOVER</b>	471,656	458,073
<b>GROSS PROFIT</b>	215,152	208,694
<b>ADJUSTED OPERATING PROFIT*</b>	17,891	10,498
<b>ADJUSTED OPERATING PROFIT AFTER INTEREST*</b>	13,734	5,964
<b>OPERATING PROFIT</b>	8,356	7,734
<b>PROFIT BEFORE TAXATION</b>	2,630	2,105
<b>BASIC EARNINGS PER ORDINARY SHARE</b>	2.85p	1.39p
<b>TOTAL DIVIDEND PER ORDINARY SHARE</b>	6.60p	6.50p
<b>NET DEBT AT END OF PERIOD</b>	30,767	51,066

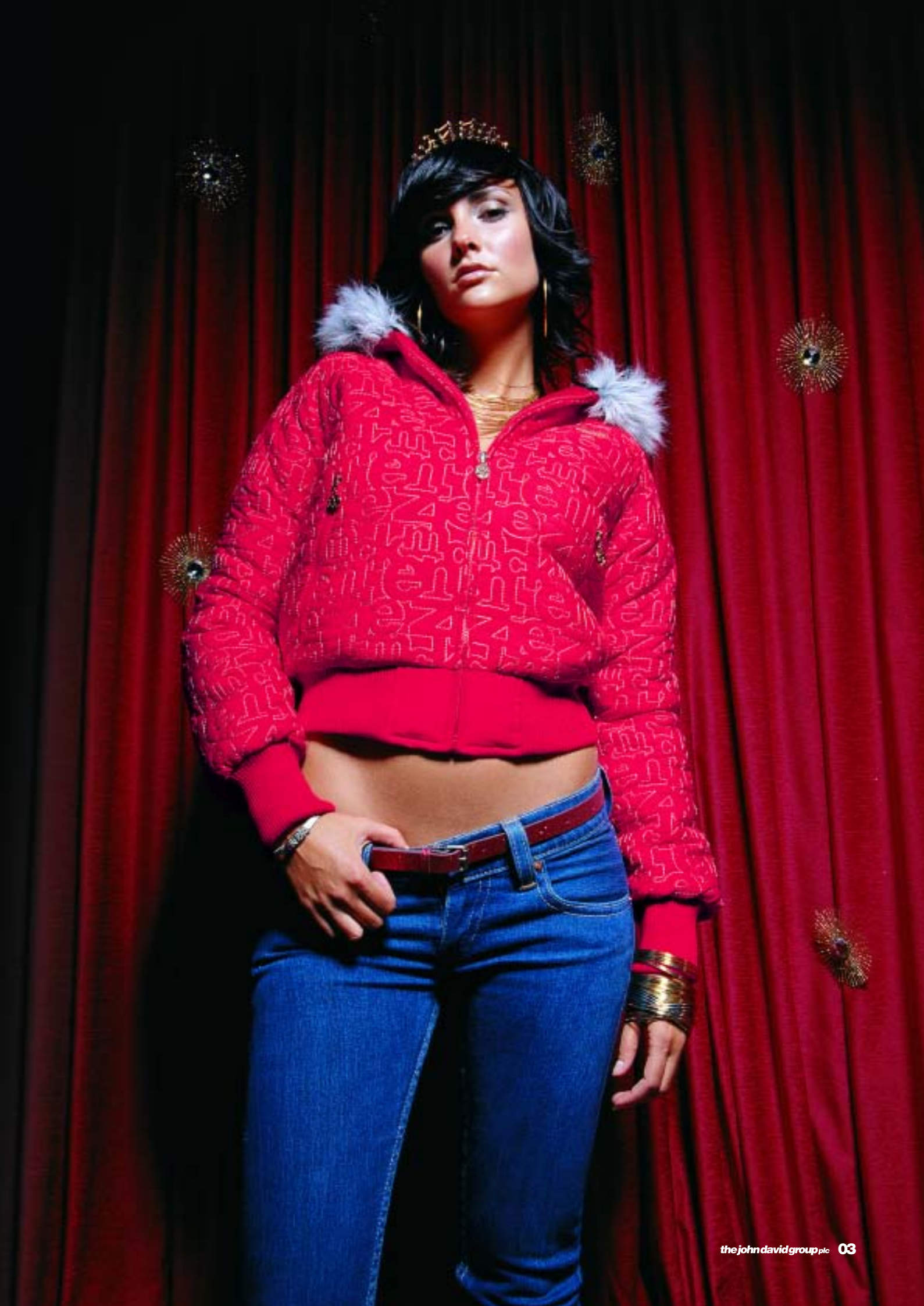
## BUSINESS HIGHLIGHTS

- Sales up 3.0% and 4.7% on a like for like basis.
- Gross margin maintained at 45.6%.
- Net debt reduced by £20.3m to £30.8m.
- Overheads tightly controlled.
- 41 stores closed during the period.
- Acquisition of RD Scott Limited on 15 December 2004, contributing £0.31m to operating profit.



2003 represents a 10 month period ended 31 January 2003.

\*before exceptional items, goodwill amortisation and loss on disposal of fixed assets





# CHAIRMAN'S STATEMENT

## INTRODUCTION

The 52 week period to 29 January 2005 was an encouraging one as the Group made considerable progress in turning round its trading performance, particularly in the Sports fascias, and reduced its stocks by £11.9 million and its net debt by £20.3 million to £30.8 million. This debt reduction was achieved after the purchase of RD Scott Limited ("Scotts") at a cost of £4.5 million in December 2004.

## GROUP PERFORMANCE

### Sales

Total sales increased by 3.0% in the year to £471.7 million from £458.1 million and by 4.7% on a like for like basis.

We continually aim to enhance our customer footfall and conversion by constantly changing our brand and product portfolio to maintain the best differentiated footwear and apparel offer in our sector. We have also embarked on a stock clearance programme to reduce older and under performing stocks in the business. This has allowed our stores to carry fresher stock and a greater proportion of newer ranges. This attracts more consumers to shop in our stores and increases sales densities.

We have also continued to work more closely with our branded suppliers to ensure we have a wide range of exclusive and more narrowly distributed product creating real differentiation from our competitors. Our offer is complemented by McKenzie and Carbrini own brand product, which accounted for 8% of sales (2004: 6%). In addition, we continue to be innovative with instore windows and merchandising and align our fascias and brands with the sports and music icons of our core customer group.

### Gross margin and stocks

Gross margin for the year was static at 45.6% but this figure was held back by the much more aggressive elimination of aged and under performing stocks, particularly Fashion stocks. We believe this will lead to some margin enhancement in the current year even in the face of a very competitive environment. Year end Group stocks were £53.9 million (including £1.9 million of Scotts stocks), a reduction of £11.9 million since January 2004.

### Debt reduction and gearing

Net debt was reduced from £51.1 million to £30.8 million in the year bringing gearing down to 55% (2004: 89%).

### Overheads

Overheads were well contained and controlled with a small reduction in normal selling, distribution and administration costs in the year. This was achieved by reducing the number of under performing inefficient stores in our portfolio, by continuing to tighten control of retail wages, and by the reduction of other central costs.

## Operating profit and results

Operating profit before exceptional, goodwill amortisation and loss on disposal rose from £10.5 million to £17.9 million. Our objective is to continually drive the net margin ratio upward.

Operating profit in the year rose from £7.7 million to £8.4 million after exceptional items of £8.7 million (2004: £2.0 million) and goodwill amortisation of £0.8 million (2004: £0.8 million).

The exceptional items comprised a £6.7 million impairment charge on under performing stores closed in the year or stores earmarked for disposal, a £1.3 million charge for expected onerous lease rental costs on five stores, and £0.7 million, principally for the termination costs of the previous Chairman and a number of senior staff in buying, merchandising, marketing and human resources. The impairment provision has been substantially increased since our half year results were announced as we have continued to add to our store disposal list in a determined effort to ensure we have a more productive portfolio for the future. After closing 41 stores in the year, there remained 52 stores in our portfolio which were fully impaired. We are aiming to close approximately 20 in the current year, and we have already closed five.

After charging a loss on disposal of fixed assets of £1.6 million (2004: £1.1 million) arising largely out of store closures, the profit on ordinary activities before interest was £6.8 million (2004: £6.6 million).

Net interest charges in the year fell from £4.5 million to £4.2 million. The impact of debt reduction was offset by increases in base rates and by a 0.3% increase in the margin early last year which has been reversed early in the new year.

Profit on ordinary activities before taxation was £2.6 million (2004: £2.1 million) and after taxation was £1.3 million (2004: £0.6 million).

### Sports fascias

It is pleasing to report that in spite of the increasingly competitive retail sports environment, we have made considerable progress both in the trading performance of the Sports fascias and in laying the foundations for further performance improvement by the elimination of under performing stores and stocks. In addition to this we have continued to enhance our position as the leading fashion oriented retailer of sportswear by the development of sales from newly introduced brands and our own brand product. The two biggest challenges for the Sports fascias are the increasingly wide distribution of sportswear by value retailers and the optimisation of the store portfolio.







# CHAIRMAN'S STATEMENT

(CONTINUED)

## Fashion fascias

The ATH-, AV and Open Fashion fascias under performed throughout the year saddled with a very poor stock situation, comprising ill advised buys for Spring/Summer 2004 both in quality and quantity terms, an excess of brought forward aged stock, the absence of certain key brands and inadequate brand consistency. The latter stemmed from the previous inability of these fascias to present a consistent message and appropriate brand adjacencies. This was weakening the business and led to these fascias, which accounted for approximately 8% of Group sales in the year, making no contribution to central overheads. It was for these reasons that the opportunity to purchase Scotts was taken in December 2004.

Scotts was a small privately owned branded fashion chain operating in the same market but which had better access to aspirational brands such as Henri Lloyd, Ted Baker and Hackett. The acquisition has given the Fashion business improved access to key brands and a stronger more focused management team. The two businesses will be run autonomously with accountability being greatly increased as a result. The intention is to retain only the Scotts and Open fascias and the brands have responded very positively to both the acquisition and our strategy.

## Store portfolio

There has been considerable progress in closing under performing stores in the last year and there has been no net cash cost to those disposals. 41 stores were closed and, following the exceptional impairment charge as a result of our store portfolio review, the Group still retained 52 fully impaired stores which we either have to close and dispose of or improve efficiencies considerably. It has to be recognised that certain stores may become increasingly difficult to dispose of and consequently there will be a cost to this process.

Continuing rises in rent, rates and minimum wages at levels above inflation, combined with continual change and development in the shopping centres within many regional centres mean that the programme for elimination of under performing stores is ongoing. It is not expected that there will be exceptional costs on the scale of those reported for the last year because of write downs already made. Nevertheless some net cash cost is likely to be incurred on the closure of approximately 20 more stores in the current year.

New store opportunities are not being overlooked and we opened 13 new stores in the last year in addition to the acquisition of 23 Scotts stores. Square footage of retail space at 29 January 2005 was 1,206,000 (2004:1,236,000). We expect to open less than 10 new stores in the current year with the store appraisal process recognising the demanding competitive environment.

A fuller analysis of store movements is set out on page 12 of this Annual Report.

## DIVIDEND AND EARNINGS PER ORDINARY SHARE

The Board indicated during the last year that it would change its dividend policy to ensure that the dividend declaration was more proportionate to the results of each half year. The Board proposes paying a final dividend of 4.4p per ordinary share bringing the total dividend paid for the year to 6.6p per ordinary share (2004: 6.5p). The proposed final dividend will be paid on 1 August 2005 to all shareholders on the register on 20 May 2005.

The adjusted earnings per ordinary share before exceptional items and amortisation of goodwill was 18.39p (2004: 6.21p).

The basic earnings per ordinary share was 2.85p (2004: 1.39p).

## CURRENT TRADING AND OUTLOOK

Trading has continued to be satisfactory since the year end. Sales for the thirteen week period ended 30 April 2005 have been up 2.4% on a like for like basis against prior year with Sport fascias up 2.7% and Fashion fascias up 0.3%. The Fashion figures are not likely to be more positive until recent gains in brand distribution are added to our Autumn offer. The Board remains confident that continuing progress is being made in the restoration of more favourable operating ratios throughout the Group.

## EMPLOYEES

The Group has come through a difficult period as a result of the skills and efforts of its managers and the dedication of all its employees. The whole Board thanks them all for their loyalty, support and commitment. We must maintain that commitment to ensure the business now delivers on its renewed promise.

**Peter Cowgill**  
Executive Chairman  
11 May 2005





**“TOTAL SALES INCREASED BY 3.0% IN THE YEAR TO £471.7 MILLION FROM £458.1 MILLION AND BY 4.7% ON A LIKE FOR LIKE BASIS.”**





# FINANCIAL REVIEW

The principal objectives of the business at the beginning of the year were to facilitate the clean up and reduction of stocks, to identify and eliminate under performing stores and to reduce bank debt. Considerable progress has been and is being made on all of these objectives:

## STOCKS

Stocks have been analysed in greater detail as the year has progressed with the sell through of all non-current season stocks now being closely monitored. The sell through of current season lines is also monitored earlier. The results of this programme can be seen both in the value and the quality of the stocks carried forward at the year end.

## DEBT AND GEARING

The Group's net debt has been reduced from £51.1 million at 31 January 2004 to £30.8 million at 29 January 2005, a reduction of £20.3 million, even after acquiring Scotts for £4.5 million. Stock reduction and reduced capital expenditure combined with much better operational cashflows led to this very positive result. Our payment record against terms was much improved throughout the year with year end creditor days being 35 (2004: 40).

## 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 movements in interest rates by adopting a mixture of fixed rate and variable rate borrowings.

In practice, no new funding or swap arrangements have been put in place or required since the syndicated facilities were put in place for the First Sport acquisition in 2002. Indeed, the banking syndicate have supported us through a period of under performance since that acquisition and it was only after our solid Christmas trading performance that we have regained more flexibility to start to review our funding for the development of the business. The opportunity to buy Scotts arose prior to our successful Christmas and there was a competitive offer for the business necessitating speedy financing of the deal. We were able to complete the deal with short term finance on arm's length terms from Manchester Square Enterprises Limited, a large shareholder, which is a subsidiary of Pentland Group Plc. This was subsequently refinanced in March 2005 by our banking syndicate. Further details of this arrangement are included in note 26 to the accounts.

## DIVIDEND POLICY

Dividends have been restrained as a result of under performance and the need to cut debt in the two previous years. This year the proposed final dividend of 4.40p per ordinary share (2004: 3.64p) brings the total dividend paid to 6.60p (2004: 6.50p) per ordinary share and reflects the Board's intention to split the full year's payments more in line with the earnings pattern of the business. There is no scrip dividend alternative this year.

## TAXATION

The taxation charge for the year at £1.3 million (2004: £1.5 million) was 49.2% (2004: 69.2%) of profit on ordinary activities before taxation. The charge remained high principally as a result of the large impairment charge in the year which led to a relatively high depreciation charge on non-qualifying assets for the year. This combined with other disallowables, including the goodwill charge, have a disproportionate impact on the percentage charge when the reported profit on ordinary activities before tax is low, as it is this year after exceptional items and losses on disposal of fixed assets.

**Brian Small**  
Group Finance Director  
11 May 2005

# PROPERTY REVIEW AND STORES

The ongoing review of the property portfolio has resulted in the closure of 41 under performing stores during the period (including one Scotts store) as we continue to drive the efficiency of the store base. We have also converted 18 stores to alternative fascias within the Group with the intention of utilising the space more effectively. In addition, minor refurbishment works have been undertaken on a number of stores with a view to enhancing future performance.

During the period 13 new stores have been opened with 22 Scotts stores also having been integrated into the portfolio.

The effect of the store openings and closures over the last 12 months on the overall retail space has not been significant with the Group operating out of 1,206,000 sq ft as at 29 January 2005 (1,236,000 in 2004).

The store portfolio at 29 January 2005 and 31 January 2004 can be analysed as follows:

	No. of Stores		Retail (000 sq ft)	
	2005	2004	2005	2004
<b>SPORTS FASCIAS</b>				
High Street	267	290	822	900
Out of Town	32	30	220	206
<b>Total</b>	<b>299</b>	<b>320</b>	<b>1,042</b>	<b>1,106</b>
<b>FASHION FASCIAS</b>				
Ath-/AV	29	35	71	86
Open	2	2	44	44
Scotts	22	-	49	-
<b>Total</b>	<b>53</b>	<b>37</b>	<b>164</b>	<b>130</b>
<b>Group Total</b>	<b>352</b>	<b>357</b>	<b>1,206</b>	<b>1,236</b>

The strategy to keep the portfolio under review will be maintained into future financial years and the efficiency of the portfolio will continue to improve as a result. It is anticipated that approximately 20 stores will be closed this year.

The retail environment remains competitive and property outgoings continue to be evermore demanding. Therefore the selection of new store opportunities is becoming increasingly important to the future of the business and in light of these circumstances the number of new store openings is likely to be limited to less than 10 in the current year.

## STORES BY REGION AT 29 JANUARY 2005

### REGIONAL KEY:

#### SCOTLAND/IRELAND REGION

42 sports stores, 6 fashion stores.

#### NORTHERN REGION

57 sports stores, 26 fashion stores.

#### CENTRAL REGION

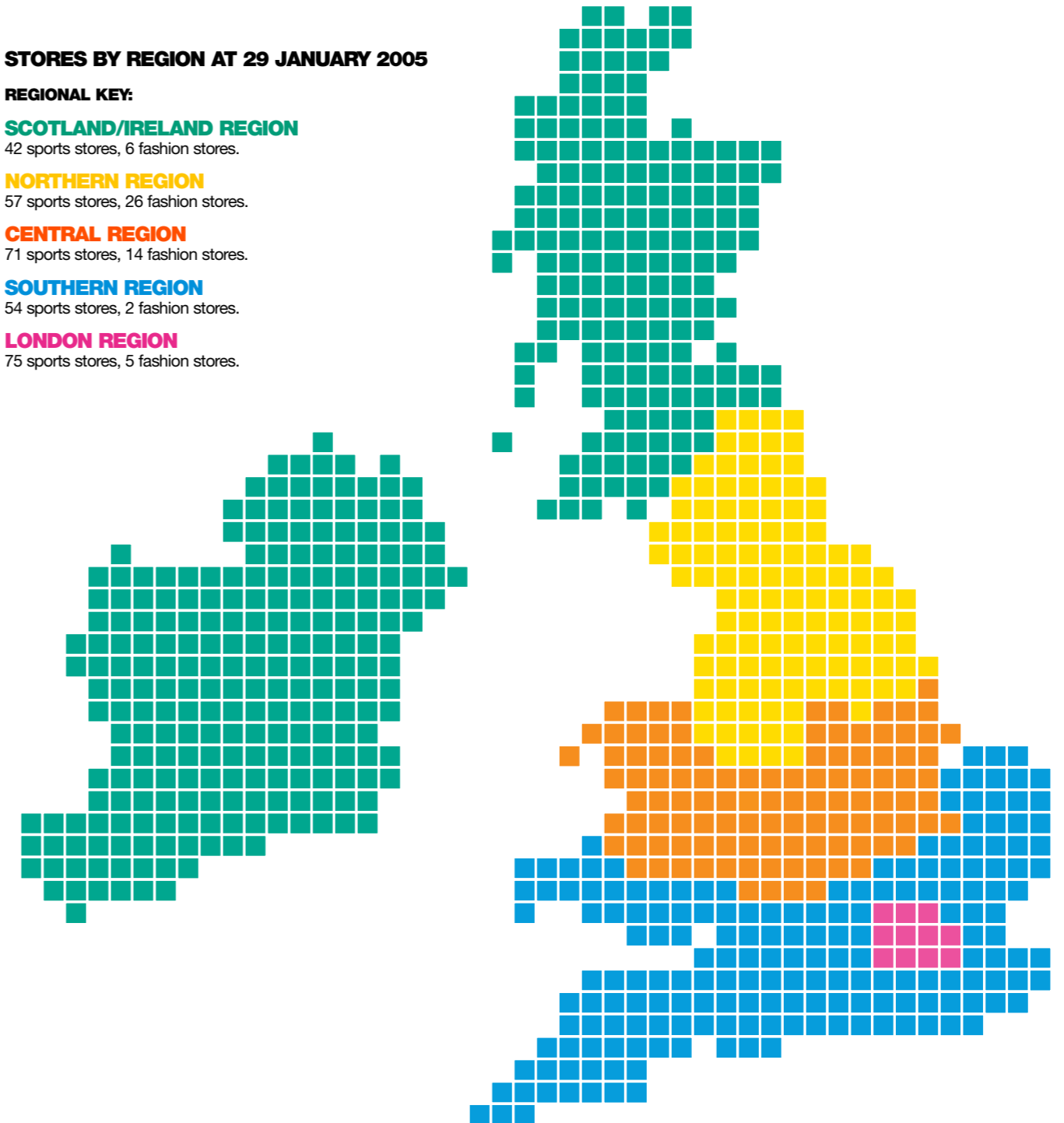
71 sports stores, 14 fashion stores.

#### SOUTHERN REGION

54 sports stores, 2 fashion stores.

#### LONDON REGION

75 sports stores, 5 fashion stores.







## 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. During the year he was appointed Non-Executive Chairman of United Carpets Plc.

### **BARRY BOWN**

**Chief Executive aged 44**

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 48**

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 60**

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 41**

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 63**

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 42**

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 52 week period ended 29 January 2005.

## 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.

## RESULTS

Turnover for the 52 week period ended 29 January 2005 was £471.7 million and profit before taxation £2.6 million compared with £458.1 million and £2.1 million respectively in the previous financial year. The consolidated profit and loss account is set out on page 37.

## PROPOSED DIVIDEND

The directors recommend a final dividend of 4.40p per ordinary share (2004: 3.64p), which together with the interim dividend of 2.20p per ordinary share (2004: 2.86p) makes a total for the year of 6.60p (2004: 6.50p).

If approved at the next Annual General Meeting, the dividend will be paid on 1 August 2005 to shareholders on the register at the close of business on 20 May 2005.

## DIRECTORS

The names of the current directors of the Company and their biographical details are given on pages 14 to 15. Mr J Wardle and Mr D Makin retire by rotation at the next Annual General Meeting and are eligible for re-election.

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

Following the resignation of Mr F Martin on 25 March 2004, Mr C Archer became chairman of both the Audit Committee and the Remuneration Committee.

## DIRECTORS' INTERESTS

The interests of the directors who held office at 29 January 2005 and their immediate families in the Company's shares are shown below:

	29 January 2005			31 January 2004		
	Ordinary shares of 5p each			Ordinary shares of 5p each		
	Beneficial	Non-Beneficial	Options	Beneficial	Non-Beneficial	Options
<b>J WARDLE</b>	<b>7,019,064</b>	<b>(i) 2,084,255</b>	-	12,213,770	(i) 2,063,070	-
<b>D MAKIN</b>	<b>10,081,579</b>	<b>3,192,296</b>	-	9,910,610	3,138,160	-
<b>P COWGILL</b>	<b>380,263</b>	-	-	-	-	-
<b>B BOWN</b>	<b>5,625</b>	-	<b>230,000</b>	5,625	-	230,000
<b>B SMALL</b>	-	-	<b>100,000</b>	-	-	100,000
<b>C ARCHER</b>	<b>8,771</b>	-	-	8,771	-	-
<b>C BIRD</b>	-	-	-	-	-	-
	<b>17,495,302</b>	<b>5,276,551</b>	<b>330,000</b>	22,138,776	5,201,230	330,000

(i) Includes 1,249,255 shares (2004: 1,228,070) duplicated within the beneficial interests of Mr D Makin.

Except as disclosed in the substantial interests in share capital on page 19, there have been no changes to the interests of the directors disclosed above after the period 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 no new options (2004: 342,348) under the Inland Revenue Approved Employee Share Option Scheme and no new options (2004: 1,154,170) under the Unapproved Employee Share Option Scheme. Further information on share options is given in note 19 to the financial statements.







# DIRECTORS' REPORT

(CONTINUED)

## SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 11 May 2005, 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	9,304,894	19.68
Manchester Square Enterprises Limited	5,405,406	11.43
Aberforth Partners	2,971,991	6.29
Fidelity International Limited	2,071,355	4.38

On 11 May 2005 Manchester Square Enterprises Limited announced a cash offer in respect of the entire issued and to be issued ordinary share capital of The John David Group Plc. Manchester Square Enterprises Limited is a wholly owned subsidiary of Pentland Group Plc. The offer was for 211.2p per ordinary share.

On 11 May 2005 Manchester Square Enterprises Limited received irrevocable undertakings to accept the offer from Mr J Wardle and Mr D Makin in respect of a total of 21,127,939 ordinary shares, which together with their current holding of 5,405,406 ordinary shares, means that Manchester Square Enterprises Limited has acquired or agreed to acquire 26,533,345 ordinary shares in total, carrying approximately 57% of the voting rights normally exercisable at a general meeting of the company. The remaining shareholders have until 15 June 2005 to accept or decline the offer.

## 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 Group, 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 £12,300 (2004: £nil). No political donations were made in the year (2004: £nil).

## CREDITORS 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 35 (2004: 40). 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 re-appointment 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 21 July 2005 at Hollinsbrook Way, Pilsworth, Bury, Lancashire BL9 8RR incorporating explanatory notes of the resolutions to be proposed at the meeting is enclosed. A Form of Proxy is also enclosed with this Annual Report and Financial Statements.

By order of the Board

**B SMALL**  
Secretary  
11 May 2005

Hollinsbrook Way  
Pilsworth, Bury  
Lancashire BL9 8RR



# CORPORATE GOVERNANCE

The Group recognises the importance of corporate governance and supports the principles of corporate governance set out in Section 1 of the July 2003 FRC Combined Code on Corporate Governance ("the Code").

The Board has adopted core values and group standards which set out the behaviours expected of staff in their dealings with shareholders, customers, colleagues, suppliers and other stakeholders of the Group. One of the core values communicated within the Group is a belief that the highest standard of integrity is essential in business.

The Group has complied throughout the year with the provisions of the Code.

## BOARD COMPOSITION, MEETINGS AND COMMITTEES

The Board of directors carries the ultimate responsibility for the conduct of the business.

The Board consists of four non-executive directors, two of whom are independent under the Code, and three executive directors. Brief profiles of each director and their positions are set out on pages 14 to 15.

The Board accepts that Mr J Wardle and Mr D Makin are not independent as they have recently held executive positions in the Group and they are substantial shareholders.

However, 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. The composition of the Board is kept under review and changes are made when appropriate and in the best interests of the Group. There have been no changes to the membership of the Board since the last Annual Report was published.

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. Whilst a third independent non-executive director has not been appointed since the resignation of Mr F Martin, the Board believes that the four remaining non-executives, who include the two business founder shareholders, have provided ample guidance to and control over the three executive directors in a demanding turnaround period for a small capitalisation listed Group.

None of the directors have served for more than three years without having been re-elected by the shareholders.

The Board held fifteen Board Meetings in the year including those convened to discuss and sanction the acquisition of RD Scott Limited and to approve the Annual Report and Accounts. Board papers including reports from the Chief Executive and Group Finance Director as well as reports from the Operations, Property and Loss

Control Directors (who are not on the main Board and attend the meetings as required) are circulated in advance of each meeting.

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 Group's expense.

The two principal Board Committees to which responsibilities are delegated are:-

## REMUNERATION COMMITTEE

The Remuneration Committee currently comprises the two independent non-executive directors, Mr C Archer (Chairman) and Mr C Bird. The Board sets the terms of reference for the Remuneration Committee.

The Committee's principal duties are to assist the Board in determining the Group'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.

The Committee met on three occasions during the year.

During the last year Halliwell Consulting were appointed to advise the Committee on senior remuneration policy. Halliwell Consulting have also been appointed to provide IFRS2 share option valuations.

## AUDIT COMMITTEE

The Audit Committee currently comprises the two independent non-executive directors, Mr C Archer (Chairman) and Mr C Bird. The Board sets the terms of reference for the Audit Committee.

The Committee's 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 met three times in the year with the auditors attending each meeting.

In 2005 the Audit Committee discharged its responsibilities by:

- Reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon.
- Reviewing the Group's pre-close Christmas trading update announcement prior to release.
- Reviewing the appropriateness of the Group's accounting policies.
- Reviewing regularly the potential impact on the Group's financial statements of certain matters such as impairments of fixed asset values and proposed International Accounting Standards.
- Reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditors.

- Reviewing the external auditor's plan for the audit of the Group's financial statements, key risks of misstatement in the financial statements, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit.

The Audit Committee also monitors the Group's whistle blowing procedures ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, with suitable subsequent follow-up action. An alternative reporting channel has been created whereby perceived wrong doing may be reported via telephone, anonymously if necessary.

## NOMINATION COMMITTEE

The Board also sanctioned the creation of a Nomination Committee which will comprise the Chairman and the independent non-executive directors. Historically, senior appointments have been dealt with directly by the Board. The Nominations Committee has not been required to meet since its creation. The performance of individual Board Members is reviewed by the Remuneration Committee who consult with the Executive Chairman by invitation on this subject.

## DIRECTORS' REMUNERATION

The report on remuneration and related matters is set out on pages 26 to 30.

## DIRECTORS' RESPONSIBILITIES

### General

The Board's main roles are to create value to shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives.

The specific responsibilities reserved to the Board include:

- Setting Group strategy and approving an annual budget and medium-term projections.
- Reviewing operational and financial performance.
- Approving major acquisitions, divestments and capital expenditure.
- Reviewing the Group's systems of internal control and risk management.
- Ensuring that appropriate management development and succession plans are in place.
- Reviewing the environmental and health and safety performance of the Group.
- Approving appointments to the Board and of the Company Secretary.
- Approving policies relating to Director's remuneration and the severance of Director's contracts.
- Ensuring that a satisfactory dialogue takes place with shareholders.



# CORPORATE GOVERNANCE

(CONTINUED)

## PREPARATION OF FINANCIAL STATEMENTS

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 of the Group 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 Group and 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.

## INTERNAL CONTROL 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.

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 Group, 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.
- Reconciliation and checking of all cash and stock balances and investigation of any material differences.

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.

The scope of internal audit work performed is determined by the Board in conjunction with the Loss Control Director who reports directly to the Board every month. The primary focus has continued to be on security and minimisation of unauthorised losses in the business using a team of appropriately qualified employees. The Board has decided not to employ a full time internal audit function as there is a robust control environment and culture in the business and nothing has occurred during the last year which suggests such a function is necessary and cost justified.

## SHAREHOLDER RELATIONS

In fulfilment of the Chairman's obligations under the new Combined Code, the Chairman gives feedback to the Board on issues raised by major shareholders. This is supplemented by twice yearly feedback to the Board on meetings between management and investors, and the non-executive directors will receive an annual briefing from the Group's brokers on the financial market's perception of the Group. The whole Board periodically receives a presentation by external advisors on investor perceptions and external brokers' reports on the Group are circulated to all directors. The Annual General Meeting ("AGM") is normally attended by all directors, and shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended. At the AGM the level of proxies lodged on each resolution is announced to the meeting after the show of hands for that resolution.

The Group has frequent discussions with institutional shareholders on a range of issues affecting its performance. These include meetings following the announcement of the annual results with the Group's largest institutional shareholders on an individual basis. In addition, the Group responds to individual ad hoc requests for discussions from institutional shareholders. The senior independent director is available to shareholders if they have concerns which the normal channels of Chairman, Chief Executive or Group Finance Director have failed to resolve or for which such contact is inappropriate. All major shareholders are given the opportunity to meet any new non-executive Directors on appointment.

## 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.







# CORPORATE AND SOCIAL RESPONSIBILITY

The Group recognises that it has a social responsibility to ensure that its business is carried out in a way that ensures high standards of environmental and human behaviour. With the help and cooperation of all employees, the Group endeavours to comply with all relevant laws in order to meet that duty and responsibility wherever it operates. The major contributions of the Group in this respect are detailed below.

## **EMPLOYMENT**

The Group is a large equal opportunities employer and a large training organisation providing direct employment and career development to thousands of people all over the UK and in Eire. We employ large numbers of school leavers and university graduates. We also provide opportunities for large numbers of people seeking flexible or part-time hours.

Our involvement with SKILLCITY in Manchester, the largest annual interactive careers event outside London, has been an example of our commitment to young people. The event welcomes up to 35,000 young people, aged 13-19, and encourages them to pursue further education and skills training, as well as introducing them to major employers who actively encourage career development through training and skills enhancement.

We also participate regularly in Work Experience schemes with schools and colleges throughout the country.

## **HEALTH AND SAFETY**

The Group employs a Health and Safety Officer who endeavours to ensure that we provide healthy and safe environments for working and shopping for all our employees, customers and visitors. He also coordinates all training in this area of our work, carries out risk assessments, and ensures that safe working practices and equipment are used throughout our business.

## **ENVIRONMENTAL**

The Group fulfils its duty to minimise adverse environmental impacts by:

- Ensuring efficient use of materials and energy and recycling wherever possible.
- Minimising waste.
- Ensuring compliance with relevant legislation.
- Monitoring and targeting.

## **ETHICAL LABOUR CONSIDERATIONS**

The Group seeks to provide its customers with high quality and value merchandise from manufacturers who can demonstrate compliance with internationally accepted good practice in terms of employment policies and environments. We visit our own brand suppliers and some of our branded product suppliers where practicable but on occasion we rely on their good faith and statements of policy.



# REPORT ON REMUNERATION AND RELATED MATTERS

This report sets out the remuneration policy operated by the Group in respect of the executive directors, together with disclosures on Directors' remuneration required by The Directors' Remuneration Report Regulations 2002, ("the Regulations"). The auditors are required to report on the 'auditable' part of this Report and to state whether, in their opinion, that part of the Report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The Report is therefore divided into separate sections for audited and unaudited information.

The Board have reviewed the Group's compliance with the Combined Code ("the Code") on remuneration related matters. It is the opinion of the Board that the Group complied with all remuneration related aspects of the Code during the year.

The Report will be put to shareholders for approval at the Annual General Meeting on 21 July 2005.

## REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") comprises both independent Non Executive Directors, being Chris Bird and myself as Chairman of the Committee since the resignation of Frank Martin from that position and the Board on 25 March 2004.

The Committee assists the Board in determining the Group'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 Committee appointed Halliwell Consulting, an independent executive compensation and share scheme consultancy, during the year to assist in its deliberations. Halliwell Consulting have also been engaged by the Group during the year to prepare IFRS2 share option valuations.

The Committee is formally constituted with written Terms of Reference. A copy of the Terms of Reference is available to shareholders by writing to the Company Secretary.

The Committee has met three times during the last year.

## POLICY

The policy of the Committee is to attract, motivate and retain executives of the necessary calibre required to execute the Group's business strategy and enhance shareholder value.

The overriding principle behind the above remuneration policy of the Group is that levels of base salary should be conservative but balanced with the opportunity to earn generous rewards from short and long-term incentives provided stretching performance targets are met which lead to the enhancement of shareholder value.

Since the year-end, the Committee, in conjunction with Halliwell Consulting, has conducted a full review of its remuneration policy. The review has resulted in changes to how the Group operates its performance-based incentives. These changes are fully explained in the circular to shareholders and Notice of Annual General Meeting enclosed with this report. However, in summary the changes are:

- The movement away from using share options to incentivise, motivate and retain executive directors and senior executives to whole share awards under the proposed The John David Group Plc Long-Term Incentive Plan.

- Changes to the maximum bonus potential and performance conditions attaching to the annual bonus.
- The introduction of shareholding requirements for executive directors.

The Committee believes that these changes will focus the executives on enhancing value for shareholders and further align the interests of executives with those of the shareholders.

## COMPONENTS OF REMUNERATION

The main components of the current remuneration package are:

### BASE SALARY

The policy of the Committee during the period ended 29 January 2005 was to set base salaries around the lower quartile when compared to UK quoted retailers with similar corporate attributes to the Group.

Factors taken into account by the Committee when determining base salary levels are:

- Objective research based on a review of the remuneration in comparator companies from Halliwell Consulting.
- The performance of the individual executive directors.
- Experience and responsibilities of each executive director.
- Pay and conditions throughout the Group.

It is the intention of the Committee that base salaries will continue to remain around the lower quartile of comparator companies.

### ANNUAL BONUS

For the period ended 29 January 2005, each executive director was 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. All executive directors earned the maximum bonus for the period after achieving annual earnings per ordinary share growth well in excess of the 40% required as well as an operating profit before exceptional items and goodwill amortisation growth of 70% and a reduction in debt of over £20 million.

As part of the full review of remuneration policy, the Committee is proposing changes to how it operates its short-term cash incentives. Details of these changes are explained in the enclosed circular to shareholders.

### SHARE OPTIONS

Share options are granted on a selective basis to key positions in the Group, including executive directors. Options are granted at the discretion of the Committee based on the individuals' key skills and potential importance to the future of the Company. Details of directors' options are set out on page 30. 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.

The Committee has reviewed the Company's long-term share incentive arrangements. Details of the Committee's proposed ongoing long-term share incentive policy are set out in the enclosed circular to shareholders.







# REPORT ON REMUNERATION AND RELATED MATTERS

(CONTINUED)

## 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 director's 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
<b>B BOWN</b>	10 December 2001	12	Rolling 12 months
<b>B SMALL</b>	10 March 2004	12	Rolling 12 months
<b>P COWGILL</b>	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 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 Committee consider these levels of compensation appropriate in light of the levels of basic salary provided and market conditions prevailing.

Mr R Best, the former Chairman, was paid £264,000 compensation for loss of office following his resignation on 16 March 2004. Under his service contract he was entitled to a rolling twelve months' notice.

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.

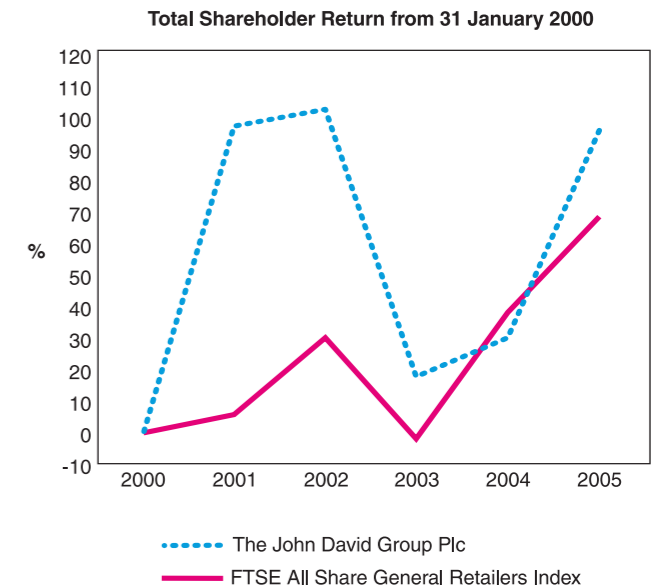
In the event of gross misconduct, the Company may terminate the service contract of an executive director immediately and with no liability to make further payments other than in respect of amounts accrued at the date of termination.

Directors retiring by rotation at the next Annual General Meeting are shown in the directors' report on page 16.

## TOTAL SHAREHOLDER RETURN

The following graph shows the Total Shareholder Return ("TSR") of the Group in comparison to the FTSE All Share General Retailers Index over the past five years. The Committee consider the FTSE All Share General Retailers Index a relevant index for total shareholder return comparison disclosure required under the Regulations as the index represents the broad range of UK quoted retailers.

TSR is calculated for each year relative to the base date of 31 January 2000 and taking the percentage change of the market price over the relevant period, re-investing any dividends at the ex-dividend rate.





# REPORT ON REMUNERATION AND RELATED MATTERS

(CONTINUED)

## 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 below:

	Salary and fees £000	Benefits excluding pensions £000	Performance related bonus £000	Compensation for loss of office £000	2005 Total £000	2004 Total £000	2005 Pension contributions £000	2004 Pension contributions £000
<b>P COWGILL</b>	178	-	144	-	322	-	-	-
<b>R BEST</b>	33	-	-	264	297	187	-	20
<b>B BOWN</b>	208	1	156	-	365	193	16	17
<b>B SMALL</b>	140	14	100	-	254	11	15	1
<b>M BLACKHURST</b>	-	-	-	-	-	356	-	8
<b>F MARTIN</b>	5	-	-	-	5	20	-	-
<b>J WARDLE</b>	22	-	-	-	22	59	-	-
<b>D MAKIN</b>	22	-	-	-	22	85	-	-
<b>C ARCHER</b>	28	-	-	-	28	22	-	-
<b>C BIRD</b>	22	-	-	-	22	17	-	-
	658	15	400	264	1,337	950	31	46

The pension contributions represent amounts payable to defined contribution pension schemes.

Mr M Blackhurst resigned on 31 December 2003.

## SHARE OPTIONS

Details of share options held by the directors at 29 January 2005 and at 31 January 2004 were as follows:

	Number of share options at 29 January 2005	Number of share options at 31 January 2004	Option exercise price per share	Usual date from which exercisable	Usual expiry date
<b>B BOWN</b>	20,000	20,000	306.5p	23.10.1999	23.10.2006
<b>B BOWN</b>	120,000	120,000	331.0p	07.06.2004	07.06.2011
<b>B BOWN</b>	20,000	20,000	262.0p	29.07.2005	29.07.2012
<b>B BOWN</b>	70,000	70,000	162.0p	12.06.2006	12.06.2013
<b>B SMALL</b>	100,000	100,000	168.0p	20.01.2007	20.01.2014
<b>R BEST</b>	-	518,518	162.0p	Expired	Expired

No options held by directors were exercised during the current or previous period. The market value of the Company's shares at 29 January 2005 was 248.5p. The highest and lowest prices during the year were 248.5p and 147.5p respectively.

On behalf of the Board

**Colin Archer**  
Chairman, Remuneration Committee  
11 May 2005







**“WE CONTINUALLY  
AIM TO ENHANCE OUR  
CUSTOMER FOOTFALL  
AND CONVERSION BY  
CONSTANTLY CHANGING  
OUR BRAND AND  
PRODUCT PORTFOLIO”**



# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE JOHN DAVID GROUP PLC

We have audited the financial statements on pages 37 to 58. 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 22, 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 corporate governance statement on page 20 to 22 reflects the Company's compliance with the nine provisions of the 2003 FRC 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 29 January 2005 and of the profit of the Group for the period 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 2005





# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 29 JANUARY 2005

	Note	Continuing operations £000	Acquisitions £000	52 weeks to 29 January 2005 Continuing operations £000	12 months to 31 January 2004 Continuing operations £000
<b>TURNOVER</b>		468,790	2,866	<b>471,656</b>	458,073
Cost of sales		(254,997)	(1,507)	<b>(256,504)</b>	(249,379)
<b>GROSS PROFIT</b>		213,793	1,359	<b>215,152</b>	208,694
Distribution costs - normal		(184,463)	(974)	<b>(185,437)</b>	(186,117)
Distribution costs - exceptional		(7,987)	-	<b>(7,987)</b>	(1,366)
Administrative expenses - normal		(13,518)	(71)	<b>(13,589)</b>	(13,503)
Administrative expenses - exceptional		(736)	-	<b>(736)</b>	(612)
Other operating income	<b>1</b>	953	-	<b>953</b>	638
<b>OPERATING PROFIT</b>		8,042	314	<b>8,356</b>	7,734
Before exceptional items and goodwill amortisation		17,577	314	<b>17,891</b>	10,498
Exceptional items	<b>2</b>	(8,723)	-	<b>(8,723)</b>	(1,978)
Goodwill amortisation	<b>10</b>	(812)	-	<b>(812)</b>	(786)
<b>OPERATING PROFIT</b>		8,042	314	<b>8,356</b>	7,734
Loss on disposal of fixed assets				<b>(1,569)</b>	(1,095)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>				<b>6,787</b>	6,639
Other interest receivable and similar income	<b>5</b>			<b>304</b>	100
Interest payable and similar charges	<b>6</b>			<b>(4,461)</b>	(4,634)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>1</b>			<b>2,630</b>	2,105
Taxation on profit on ordinary activities	<b>7</b>			<b>(1,293)</b>	(1,457)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>				<b>1,337</b>	648
Dividends paid and proposed	<b>8</b>			<b>(3,119)</b>	(3,038)
<b>RETAINED LOSS FOR THE FINANCIAL PERIOD</b>	<b>20</b>			<b>(1,782)</b>	(2,390)
<b>EARNINGS PER ORDINARY SHARE</b>	<b>9</b>				
- basic				<b>2.85p</b>	1.39p
- adjusted basic to exclude exceptional items and goodwill amortisation				<b>18.39p</b>	6.21p
- diluted				<b>2.85p</b>	1.39p

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



# BALANCE SHEETS

AS AT 29 JANUARY 2005

	Note	GROUP		COMPANY	
		29 January 2005 £000	31 January 2004 £000	29 January 2005 £000	31 January 2004 £000
<b>FIXED ASSETS</b>					
Intangible fixed assets	10	18,318	14,976	14,190	14,976
Tangible fixed assets	11	56,789	68,183	53,997	68,183
Fixed asset investment	12	-	-	4,470	-
		<b>75,107</b>	83,159	<b>72,657</b>	83,159
<b>CURRENT ASSETS</b>					
Stocks	13	53,857	65,727	51,977	65,727
Debtors	14	11,707	14,452	17,889	22,123
Cash at bank and in hand		6,531	4,934	6,012	4,933
		<b>72,095</b>	85,113	<b>75,878</b>	92,783
<b>CREDITORS:</b> amounts falling due within one year	15	<b>(58,957)</b>	(55,667)	<b>(54,156)</b>	(62,490)
<b>NET CURRENT ASSETS</b>		<b>13,138</b>	29,446	<b>21,722</b>	30,293
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>88,245</b>	112,605	<b>94,379</b>	113,452
<b>CREDITORS:</b> amounts falling due after more than one year	16	<b>(28,653)</b>	(51,555)	<b>(35,074)</b>	(51,531)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18	<b>(3,929)</b>	(3,756)	<b>(3,565)</b>	(4,033)
<b>NET ASSETS</b>		<b>55,663</b>	57,294	<b>55,740</b>	57,888
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19	2,364	2,338	2,364	2,338
Share premium account	20	9,042	8,917	9,042	8,917
Profit and loss account	20	44,257	46,039	44,334	46,633
<b>EQUITY SHAREHOLDERS' FUNDS</b>	21	<b>55,663</b>	57,294	<b>55,740</b>	57,888

These financial statements were approved by the Board of directors on 11 May 2005 and were signed on its behalf by:

**B Bown**  
**B Small**  
Directors

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 29 JANUARY 2005

	Note	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	24	<b>37,219</b>	23,600
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		304	100
Interest paid		(4,442)	(4,402)
Interest element of finance lease and hire purchase contracts		(19)	-
		<b>(4,157)</b>	(4,302)
<b>TAXATION</b>		<b>244</b>	(1,287)
<b>CAPITAL EXPENDITURE</b>			
Purchase of tangible fixed assets		(8,056)	(11,493)
Proceeds from disposal of fixed assets		2,910	2,264
		<b>(5,146)</b>	(9,229)
<b>ACQUISITIONS AND DISPOSALS</b>			
Cash consideration		(4,183)	-
Net overdrawn balances acquired		(420)	-
		<b>(4,603)</b>	-
<b>EQUITY DIVIDENDS PAID</b>		<b>(1,816)</b>	(4,375)
<b>NET CASH INFLOW BEFORE FINANCING</b>		<b>21,741</b>	4,407
<b>FINANCING</b>			
Receipts from new loans		5,000	-
Loan repayments		(26,500)	(3,000)
Proceeds from issue of equity shares		146	-
Capital element of finance lease and hire purchase repayments		(170)	-
		<b>(21,524)</b>	(3,000)
<b>INCREASE IN CASH IN THE PERIOD</b>	25	<b>217</b>	1,407



# RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

FOR THE PERIOD ENDED 29 JANUARY 2005

Note	<b>52 weeks to 29 January 2005 £000</b>	12 months to 31 January 2004 £000
Increase in cash in the period	<b>217</b>	1,407
Cash outflow from decrease in debt	<b>21,670</b>	3,000
Issue of redeemable loan notes	<b>(287)</b>	-
Overdrafts and finance leases acquired with subsidiary undertaking	<b>(1,301)</b>	-
<b>MOVEMENT IN NET DEBT IN THE PERIOD</b>	<b>20,299</b>	4,407
<b>NET DEBT AT 1 FEBRUARY 2004</b>	<b>(51,066)</b>	(55,473)
<b>NET DEBT AT 29 JANUARY 2005</b>	<b>(30,767)</b>	(51,066)

# 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.

These financial statements have been prepared for the 52 week period to 29 January 2005. During the period the Group moved its financial calendar from an annual basis to 4,5,4 weekly accounting periods, in common with other major retailers, with the year end being the nearest Saturday to 31 January. The following financial period will therefore comprise of 52 weeks ending 28 January 2006.

## 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 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.

## 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:

Long leasehold land and buildings	2% per annum 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.

Capital contributions received on acquisition of short leasehold properties are credited to the balance sheet and released to the profit and loss account over 10 years, or the length of the lease if shorter, on a straight line basis.

## 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 only operates 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

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION IS STATED</b>		
after charging		
Auditor's remuneration:		
Audit services - Statutory audit	75	70
- Other non-audit services	18	15
Tax services	63	20
Depreciation and other amounts written off tangible fixed assets:		
Owned	11,080	10,060
Held under finance lease and hire purchase contracts	31	-
Impairments (see note 2)	6,701	-
Goodwill amortisation	812	786
Rentals payable under operating leases for:		
Land and buildings	57,887	57,894
Other - plant and machinery	672	402
after crediting		
Rents receivable and other income from property	953	638

Included in auditor's remuneration above is £55,000 (2004: £50,500) relating to the statutory audit of the parent Company.

## 2. EXCEPTIONAL OPERATING ITEMS

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
Provision for rentals on onerous property leases	1,286	-
Impairment of tangible fixed assets on loss making stores	6,701	-
Redundancy costs	440	978
Bank reorganisation costs	296	-
Store closure costs	-	479
Lease and contract exit payments	-	314
Warehousing, distribution and other reorganisation costs	-	130
OFT investigation into replica kits	-	77
	<b>8,723</b>	1,978

## 3. REMUNERATION OF DIRECTORS

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
Directors' emoluments:		
As non-executive directors	99	68
As executive directors	974	641
Pension contributions	31	46
Compensation for loss of office	264	241
	<b>1,368</b>	996

Information on directors' share options and further information on directors' emoluments is shown in the Report on Remuneration and Related Matters on page 30.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 4. STAFF NUMBERS AND COSTS

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

	2005	2004
Number of employees		
Sales and distribution	8,389	8,947
Administration	233	254
	<b>8,622</b>	9,201
Full time equivalents	<b>4,931</b>	5,141

The aggregate payroll costs of these persons were as follows:

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
Wages and salaries	66,066	68,054
Social security costs	4,355	4,012
Other pension costs (see note 23)	288	303
	<b>70,709</b>	72,369

## 5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
Bank interest	249	96
Other interest	55	4
	<b>304</b>	100

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
On bank loans and overdrafts	4,399	4,565
Finance charges payable in respect of finance leases and hire purchase contracts	19	-
Other interest charges	43	69
	<b>4,461</b>	4,634



# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES	52 weeks to 29 January 2005 £000	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000	12 months to 31 January 2004 £000
UK corporation tax at 30% (2004: 30%)	<b>3,440</b>		215	
Adjustment relating to an earlier period	<b>(755)</b>		(56)	
Total current tax charge		<b>2,685</b>		159
Deferred taxation	<b>(1,557)</b>		1,330	
Adjustment relating to an earlier period	<b>165</b>		(32)	
Total deferred tax charge (see note 18)		<b>(1,392)</b>		1,298
		<b>1,293</b>		1,457

## TAX CHARGE RECONCILIATION

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
Profit on ordinary activities before tax multiplied by the standard rate of tax - 30% (2004:30%)	<b>789</b>	632
Effects of:		
Expenses not deductible - normal	<b>24</b>	110
Expenses not deductible - exceptional re: lease and contract exit payments	<b>-</b>	34
Income not taxable	<b>(29)</b>	-
Depreciation in excess of capital allowances on qualifying assets	<b>1,733</b>	(797)
Depreciation on non qualifying fixed assets	<b>1,006</b>	722
Profit on sale of non qualifying fixed assets	<b>(83)</b>	(128)
Goodwill amortisation not deductible	<b>236</b>	236
Impact of tax allowable fair value adjustments	<b>(113)</b>	(594)
Utilisation of tax losses	<b>(87)</b>	-
Other differences	<b>(36)</b>	-
Adjustments to tax charge in respect of previous periods	<b>(755)</b>	(56)
Total current tax charge	<b>2,685</b>	159

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

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

8. DIVIDENDS PAID AND PROPOSED	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
Ordinary shares:		
Interim paid - 2.20p per ordinary share (2004: 2.86p)	<b>1,063</b>	1,337
Final proposed - 4.40p per ordinary share (2004: 3.64p)	<b>2,056</b>	1,701
Total dividend 6.60p per ordinary share (2004: 6.50p)	<b>3,119</b>	3,038

## 9. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share represents the profit for the financial period of £1,337,000 (2004: £648,000) divided by the weighted average number of ordinary shares in issue of 46,978,013 (2004: 46,748,607).

Adjusted basic earnings per ordinary share has 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 46,981,420 (2004: 46,750,776) 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.

## ADJUSTED BASIC EARNINGS PER ORDINARY SHARE

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
Profit on ordinary activities after taxation	<b>1,337</b>	648
Exceptional items	<b>8,723</b>	1,978
Tax relating to exceptional items	<b>(2,235)</b>	(509)
Goodwill amortisation	<b>812</b>	786
Profit after taxation excluding exceptional items and goodwill amortisation	<b>8,637</b>	2,903
Adjusted basic earnings per ordinary share	<b>18.39p</b>	6.21p



# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 10. INTANGIBLE FIXED ASSETS

GROUP AND COMPANY	GOODWILL	
	Group £000	Company £000
<b>COST</b>		
At beginning of period	16,183	14,976
Additions	4,154	-
At end of period	20,337	14,976
<b>AMORTISATION</b>		
At beginning of period	1,207	-
Charge in the period	812	786
At end of period	2,019	786
<b>NET BOOK VALUE AT 29 JANUARY 2005</b>	<b>18,318</b>	<b>14,190</b>
Net book value at 31 January 2004	14,976	14,976

On 15 December 2004 The John David Group Plc purchased the entire share capital of RD Scott Limited. The goodwill calculation is summarised below:

	Book value and fair value £000
Tangible fixed assets	2,841
Stocks	2,805
Corporation tax debtor	211
Prepayments and other debtors	566
Cash at bank in hand	5
Bank overdraft	(425)
Trade creditors	(3,386)
Obligations under finance lease and hire purchase contracts	(881)
Other creditors	(816)
Provisions - deferred taxation	(163)
- onerous lease costs	(441)
Net assets acquired	316
Goodwill capitalised	4,154
Consideration	4,470

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## INTANGIBLE FIXED ASSETS (CONTINUED)

The total purchase price at acquisition was £4,470,000 comprising cash consideration of £4,183,000 and loan notes of £287,000 which are redeemable at par in three equal annual instalments commencing 28 December 2007. This resulted in goodwill on acquisition of £4,154,000 which will be amortised over its estimated useful life of 20 years.

During the period since acquisition, the directors have performed a review into the fair values of the assets acquired. Based on this review, goodwill arising on acquisition has remained at £4,154,000.

The following table shows highlights of the pre-acquisition profit and loss account for the acquired business.

	5 April 2004 to 15 December 2004 £000	15 months ended 4 April 2004 £000
Turnover	12,265	17,869
Operating loss	(565)	(138)
Loss before tax	(769)	(479)
Tax	211	93
Loss after tax	(558)	(386)

These results are based on the management accounts. There are no recognised gains or losses during the periods above other than those results above.

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:

	Book value and fair value £000
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)

## 11. TANGIBLE FIXED ASSETS

GROUP	Long leasehold land and buildings £000	Short leasehold land and buildings £000	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>COST</b>						
At beginning of period	4,448	24,527	11,251	85,398	1,595	127,219
Additions	-	2,436	622	4,970	28	8,056
Disposals	(1)	(5,278)	(1,642)	(7,564)	(676)	(15,161)
Acquisition	-	153	483	4,135	18	4,789
At end of period	4,447	21,838	10,714	86,939	965	124,903
<b>DEPRECIATION</b>						
At beginning of period	508	11,612	7,574	38,695	647	59,036
Charge for period	90	1,593	1,218	8,000	210	11,111
Impairments	-	1,881	163	4,657	-	6,701
Disposals	(1)	(2,890)	(1,565)	(5,835)	(391)	(10,682)
Acquisition	-	108	215	1,612	13	1,948
At end of period	597	12,304	7,605	47,129	479	68,114
<b>NET BOOK VALUE</b>						
<b>AT 29 JANUARY 2005</b>	<b>3,850</b>	<b>9,534</b>	<b>3,109</b>	<b>39,810</b>	<b>486</b>	<b>56,789</b>
At 31 January 2004	3,940	12,915	3,677	46,703	948	68,183

Included in the total net book value of tangible fixed assets is £1,318,000 (2004: £nil) in respect of assets held under finance lease and hire purchase contracts. Depreciation for the period on these assets was £31,000 (2004: £nil).

All assets held under finance lease and hire purchase contracts are in respect of assets held by RD Scott Limited. The depreciation above therefore relates to the period from 15 December 2004 to 29 January 2005.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## TANGIBLE FIXED ASSETS (CONTINUED)

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
<b>COST</b>						
At beginning of period	4,448	24,527	11,251	85,398	1,595	127,219
Additions	-	2,436	622	4,951	28	8,037
Disposals	(1)	(5,278)	(1,642)	(7,564)	(676)	(15,161)
At end of period	4,447	21,685	10,231	82,785	947	120,095
<b>DEPRECIATION</b>						
At beginning of period	508	11,612	7,574	38,695	647	59,036
Charge for period	90	1,591	1,207	7,946	209	11,043
Impairments	-	1,881	163	4,657	-	6,701
Disposals	(1)	(2,890)	(1,565)	(5,835)	(391)	(10,682)
At end of period	597	12,194	7,379	45,463	465	66,098
<b>NET BOOK VALUE</b>						
<b>AT 29 JANUARY 2005</b>	<b>3,850</b>	<b>9,491</b>	<b>2,852</b>	<b>37,322</b>	<b>482</b>	<b>53,997</b>
At 31 January 2004	3,940	12,915	3,677	46,703	948	68,183

## 12. FIXED ASSET INVESTMENT

COMPANY	Investment in Group undertaking £000
Cost and net book value at beginning of period	-
Addition in period	4,470
Cost and net book value at end of period	<b>4,470</b>

The investment represents the total consideration for the acquisition of RD Scott Limited (see note 10).

## 13. STOCKS

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Finished goods and goods for resale	<b>53,857</b>	65,727	<b>51,977</b>	65,727



# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 14. DEBTORS

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade debtors	956	1,086	956	1,194
Amounts owed by other Group companies	-	-	6,920	7,563
Other debtors	11	-	-	-
Prepayments and accrued income	10,740	13,366	10,013	13,366
	<b>11,707</b>	14,452	<b>17,889</b>	22,123

Amounts owed by other Group companies includes £6,920,000 (2004: £7,563,000) due after more than one year.

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans and overdrafts (see note 16)	5,800	8,000	4,000	8,000
Obligations under finance lease and hire purchase contracts	412	-	-	-
Other loans	5,000	-	5,000	-
Trade creditors	26,426	30,430	24,872	30,430
Other creditors including taxation and social security:				
Corporation tax	1,417	(611)	1,417	(551)
Other taxes and social security	9,368	8,191	8,831	8,191
Amounts owed to other Group companies	-	-	-	6,582
Other creditors	-	-	-	345
Accruals and deferred income	8,454	8,876	7,956	8,712
Dividends proposed	2,080	781	2,080	781
	<b>58,957</b>	55,667	<b>54,156</b>	62,490

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans and overdrafts (see notes 15 and 17)	25,500	48,000	25,500	48,000
Redeemable loan notes (see note 10)	287	-	287	-
Obligations under finance lease and hire purchase contracts	299	-	-	-
Amounts owed to other Group companies	-	-	6,582	-
Accruals and deferred income	2,567	3,555	2,705	3,531
	<b>28,653</b>	51,555	<b>35,074</b>	51,531

The loan notes do not carry interest and are redeemable at par in three equal annual instalments commencing 28 December 2007.

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

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans and overdrafts				
Within one year	5,800	8,000	4,000	8,000
Between one and two years	12,000	8,000	12,000	8,000
Between two and five years	13,500	40,000	13,500	40,000
	<b>31,300</b>	56,000	<b>29,500</b>	56,000

The rates of interest payable on current bank loans and overdrafts are detailed in note 17 to the accounts.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Within one year	412	-	-	-
In the second to fifth years	299	-	-	-
	<b>711</b>	-	-	-

Amounts owed under finance leases and hire purchase contracts are secured on the assets to which they relate.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 17. FINANCIAL INSTRUMENTS

The Group's financial instruments at the period 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 financial review on page 11.

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.

### 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.

	<b>2005</b>	2004
	<b>£000</b>	£000
Cash at bank and in hand	<b>6,531</b>	4,934
The currency profile of financial assets was:	<b>2005</b>	2004
	<b>£000</b>	£000
Sterling	<b>6,355</b>	4,759
Euros	<b>176</b>	175
	<b>6,531</b>	4,934

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## FINANCIAL INSTRUMENTS (CONTINUED)

### FINANCIAL LIABILITIES

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

	<b>2005</b>	2004
	<b>£000</b>	£000
Bank fixed rate financial liabilities	<b>26,000</b>	34,000
Bank floating rate financial liabilities	<b>5,300</b>	22,000
Other fixed rate financial liabilities	<b>5,000</b>	-
	<b>36,300</b>	56,000
Fixed rate weighted average interest rate at 29 January	<b>7.7%</b>	6.9%

The weighted average period for which the fixed rate bank borrowings are fixed is 2.3 years (2004: 3.3 years). No new hire purchase contracts were entered into during the period other than those acquired on acquisition of RD Scott Limited (see note 10). The Company has a swap agreement in relation to the bank fixed rate financial liabilities of £26,000,000. The swap expires on 3 May 2007 and fixes the base interest rate payable at 5.55% on the reducing balance of the fixed term loan.

Interest on the bank fixed and floating rate financial liabilities from 7 May 2004 to 4 March 2005 was based on the relevant LIBOR rate or swap rate plus 1.68%.

In March 2005 the interest rate was revised down to the relevant base rate plus 1.38%, which was the margin applicable until 6 May 2004.

The fair value of the bank fixed rate financial liabilities is £26,282,000.

The other fixed rate financial liabilities relates to a loan provided by Manchester Square Enterprises Limited (see note 26), with an interest rate of 10%. This loan was used to finance the acquisition of RD Scott Limited. This loan was repaid in full on 24 March 2005.

In the opinion of the Board, the fair value of the Group's financial assets and liabilities is not considered materially different to that of the book value.

### LIQUIDITY RISK

During the period, 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 shown in note 16.

In addition, there are undrawn committed facilities with a maturity profile as follows. Interest on these facilities is 0.69%.

	<b>2005</b>	2004
	<b>£000</b>	£000
Due within one year or less, or on demand	-	-
Due between one and two years	-	-
Due between two and five years	<b>36,500</b>	18,000
	<b>36,500</b>	18,000



# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Deferred taxation	2,315	3,756	2,385	4,033
Provision for rentals on onerous property leases	1,614	-	1,180	-
At end of period	3,929	3,756	3,565	4,033

### DEFERRED TAXATION

Movement in the provision during the period was as follows:

	GROUP £000	COMPANY £000
At beginning of period	3,756	4,033
Credit to profit and loss account (see note 7)	(1,392)	(1,648)
Acquisition (see note 10)	163	-
Other movements	(212)	-
	<b>2,315</b>	<b>2,385</b>

The amounts provided for deferred taxation are set out below:

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Accelerated capital allowances	2,636	4,032	2,435	4,033
Tax losses recoverable	(130)	-	-	-
Other provisions	(191)	(276)	(50)	-
	<b>2,315</b>	<b>3,756</b>	<b>2,385</b>	<b>4,033</b>

### PROVISION FOR RENTALS ON ONEROUS PROPERTY LEASES

This provision relates to five stores (Company: four stores) and represents the anticipated future rental costs until the date of disposal.

	GROUP £000	COMPANY £000
At beginning of period	-	-
Charge to profit and loss account (see note 2)	1,286	1,286
Acquisition (see note 10)	441	-
Amounts released in period	(113)	(106)
	<b>1,614</b>	<b>1,180</b>

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 19. CALLED UP SHARE CAPITAL

GROUP AND COMPANY	2005 £000	2004 £000
<b>AUTHORISED</b>		
Ordinary shares of 5p each	3,108	3,108
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
Ordinary shares of 5p each	2,364	2,338

During the period a total of 528,021 ordinary shares were issued. Of these, 438,021 ordinary shares were issued in lieu of the prior year scrip dividend. The remaining 90,000 ordinary shares were issued for a total cash consideration of £146,000.

### 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	47,148	306.5p
	30.01.98	8,130	123.0p
	07.06.01	166,255	331.0p
	29.07.02	11,450	262.0p
	12.06.03	225,274	162.0p
	14.10.03	32,000	165.0p
Unapproved Employee Share Option Scheme	20.01.04	17,857	168.0p
	23.10.96	100,852	306.5p
	07.06.01	232,808	331.0p
	29.07.02	73,550	262.0p
	12.06.03	445,762	162.0p
	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.

## 20. RESERVES

	GROUP		COMPANY	
	Share premium account £000	Profit and loss account £000	Share premium account £000	Profit and loss account £000
At beginning of period	8,917	46,039	8,917	46,633
Retained loss for the financial period	-	(1,782)	-	(2,299)
Premium on share issues	142	-	142	-
Scrip dividend adjustment re 2004	(17)	-	(17)	-
At end of period	<b>9,042</b>	<b>44,257</b>	<b>9,042</b>	<b>44,334</b>

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 21. RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	GROUP		COMPANY	
	2005 £000	2004 £000	2005 £000	2004 £000
Profit/(loss) for the financial period	1,337	648	820	(2,430)
Dividends paid and proposed	(3,119)	(3,038)	(3,119)	(3,038)
Retained loss for the financial period	(1,782)	(2,390)	(2,299)	(5,468)
Scrip dividend adjustment re 2004	5	920	5	920
Proceeds from issue of ordinary shares	146	-	146	-
Net movement in equity shareholders' funds	(1,631)	(1,470)	(2,148)	(4,548)
Equity shareholders' funds at beginning of period	57,294	58,764	57,888	62,436
Equity shareholders' funds at end of period	55,663	57,294	55,740	57,888

## 22. COMMITMENTS

### GROUP

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

	29 January 2005 £000	31 January 2004 £000
Contracted	1,552	1,696

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

	29 January 2005 Land and buildings £000	29 January 2005 Other £000	31 January 2004 Land and buildings £000	31 January 2004 Other £000
Operating leases which expire:				
Within one year	2,436	58	1,363	181
In the second to fifth years inclusive	4,698	313	3,783	25
Over five years	51,415	102	52,359	-
	58,549	473	57,505	206

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## COMMITMENTS (CONTINUED)

### COMPANY

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

	29 January 2005 £000	31 January 2004 £000
Contracted	1,552	1,696

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

	29 January 2005 Land and buildings £000	29 January 2005 Other £000	31 January 2004 Land and buildings £000	31 January 2004 Other £000
Operating leases which expire:				
Within one year	2,436	51	1,363	181
In the second to fifth years inclusive	4,561	288	3,783	25
Over five years	48,699	102	52,359	-
	55,696	441	57,505	206

## 23. PENSION SCHEMES

The Group only operates defined contribution pension schemes. The pension charge for the period represents contributions payable by the Group of £257,000 (2004: £257,000), plus £31,000 (2004: £46,000) in respect of directors. The amount owed to the schemes at the period end was £22,000 (2004: £7,000).

## 24. RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks to 29 January 2005 £000	12 months to 31 January 2004 £000
Operating profit	8,356	7,734
Goodwill amortisation	812	786
Depreciation and impairment charges	17,812	10,060
Decrease in stocks	14,674	1,990
Decrease in debtors	2,360	80
(Decrease)/increase in creditors	(6,795)	2,950
Net cash inflow from operating activities	37,219	23,600

The exceptional costs disclosed in note 2 result in operating cash outflows of £736,000 (2004: £1,978,000)



# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 25. ANALYSIS OF NET DEBT

	At 31 January 2004 £000	Cash flow £000	Acquisition £000	Other non cash changes £000	At 29 January 2005 £000
Cash at bank and in hand	4,934	217	(420)	-	<b>4,731</b>
Debt due after one year	(48,000)	18,500	-	4,000	<b>(25,500)</b>
Debt due within one year	(8,000)	3,000	-	(4,000)	<b>(9,000)</b>
Redeemable loan notes (see note 10)	-	-	-	(287)	<b>(287)</b>
Obligations under finance leases and hire purchase contracts	-	170	(881)	-	<b>(711)</b>
<b>Total</b>	<b>(51,066)</b>	<b>21,887</b>	<b>(1,301)</b>	<b>(287)</b>	<b>(30,767)</b>

## 26. 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.

Fixed asset additions include £28,000 in relation to a motor vehicle purchased from the Company's Chief Executive, Mr Barry Bown, at an arms length valuation.

Administrative expenses includes £nil (2004: £139,000) relating to a Group Management Conference. In the prior period this was organised and invoiced by Bird Consultancy. These charges were largely recharges of venue and presentation costs. Chris Bird is a director of Bird Consultancy as well as being a Non-Executive Director of the Company.

Included within creditors due within 1 year is a £5,000,000 loan used to finance the acquisition of RD Scott Limited. This loan was provided by Manchester Square Enterprises Limited, with a fixed interest rate of 10% until the loan was repaid in full on 24 March 2005.

At 11 May 2005 Manchester Square Enterprises Limited owned 11.43% of the Company's share capital (see page 19).

## 27. PRINCIPAL SUBSIDIARY UNDERTAKINGS

The following companies were the principal subsidiary undertakings of The John David Group Plc at 29 January 2005. The companies are wholly owned, operate in the UK and are included in the consolidated financial statements.

	Nature of business
RD Scott Limited	Retailer of fashion clothing and footwear
First Sport Limited	Non trading
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 RD Scott Limited, Athleisure Limited and JD Sports Limited, all these holdings were indirectly owned by the parent Company at the balance sheet date.

# FIVE YEAR RECORD

## CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	52 weeks ended 29 January 2005 £000	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
<b>TURNOVER</b>	<b>471,656</b>	458,073	370,804	245,621	204,465
Cost of sales	<b>(256,504)</b>	(249,379)	(202,229)	(130,144)	(109,469)
<b>GROSS PROFIT</b>	<b>215,152</b>	208,694	168,575	115,477	94,996
Distribution costs - normal	<b>(185,437)</b>	(186,117)	(141,145)	(88,346)	(72,014)
Distribution costs - exceptional	<b>(7,987)</b>	(1,366)	(2,933)	-	-
Administrative expenses - normal	<b>(13,589)</b>	(13,503)	(10,167)	(6,759)	(6,152)
Administrative expenses - exceptional	<b>(736)</b>	(612)	(581)	-	-
Other operating income	<b>953</b>	638	333	67	22
<b>OPERATING PROFIT</b>	<b>8,356</b>	7,734	14,082	20,439	16,852
Before exceptional items and goodwill amortisation	<b>17,891</b>	10,498	18,017	20,439	16,852
Exceptional items	<b>(8,723)</b>	(1,978)	(3,514)	-	-
Goodwill amortisation	<b>(812)</b>	(786)	(421)	-	-
<b>OPERATING PROFIT</b>	<b>8,356</b>	7,734	14,082	20,439	16,852
Loss on disposal of fixed assets	<b>(1,569)</b>	(1,095)	(433)	(187)	(95)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>	<b>6,787</b>	6,639	13,649	20,252	16,757
Other interest receivable and similar income	<b>304</b>	100	212	104	154
Interest payable and similar charges	<b>(4,461)</b>	(4,634)	(3,080)	(283)	(443)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2,630</b>	2,105	10,781	20,073	16,468
Taxation on profit on ordinary activities	<b>(1,293)</b>	(1,457)	(4,024)	(6,235)	(5,120)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>1,337</b>	648	6,757	13,838	11,348
Dividends paid and proposed	<b>(3,119)</b>	(3,038)	(3,038)	(3,646)	(3,220)
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD</b>	<b>(1,782)</b>	(2,390)	3,719	10,192	8,128
<b>BASIC EARNINGS PER ORDINARY SHARE</b>	<b>2.85p</b>	1.39p	14.46p	29.61p	24.38p
<b>ADJUSTED BASIC EARNINGS PER ORDINARY SHARE</b>	<b>18.39p</b>	6.21p	21.18p	29.61p	24.38p
<b>DIVIDENDS PER ORDINARY SHARE</b>	<b>6.60p</b>	6.50p	6.50p	7.80p	6.90p

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

# FINANCIAL CALENDAR

<b>FINAL RESULTS ANNOUNCED</b>	<b>11 MAY 2005</b>
<b>FINAL DIVIDEND RECORD DATE</b>	<b>20 MAY 2005</b>
<b>FINANCIAL STATEMENTS PUBLISHED</b>	<b>10 JUNE 2005</b>
<b>ANNUAL GENERAL MEETING</b>	<b>21 JULY 2005</b>
<b>FINAL DIVIDEND PAYABLE</b>	<b>1 AUGUST 2005</b>
<b>INTERIM RESULTS ANNOUNCED</b>	<b>SEPTEMBER 2005</b>
<b>PERIOD END</b>	<b>28 JANUARY 2006</b>
<b>FINAL RESULTS ANNOUNCED</b>	<b>APRIL 2006</b>

# SHAREHOLDER INFORMATION

## REGISTERED OFFICE

The John David Group Plc  
Hollinsbrook Way  
Pilsworth  
Bury  
Lancashire BL9 8RR

## COMPANY NUMBER

Registered in England and Wales,  
number 1888425

## AUDITORS

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