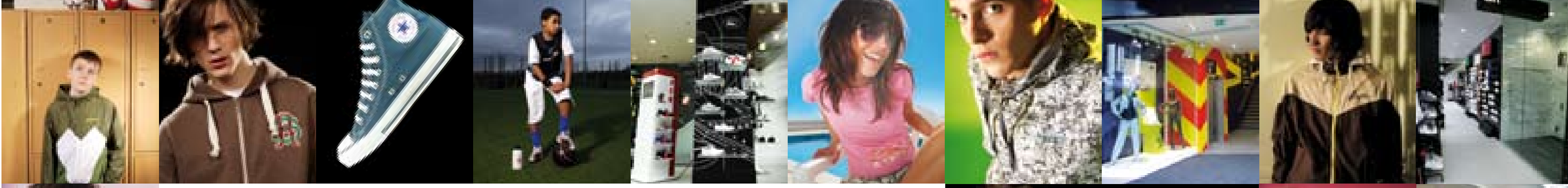
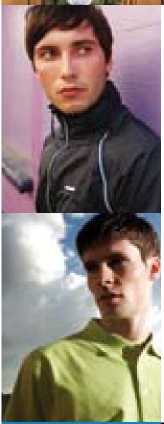
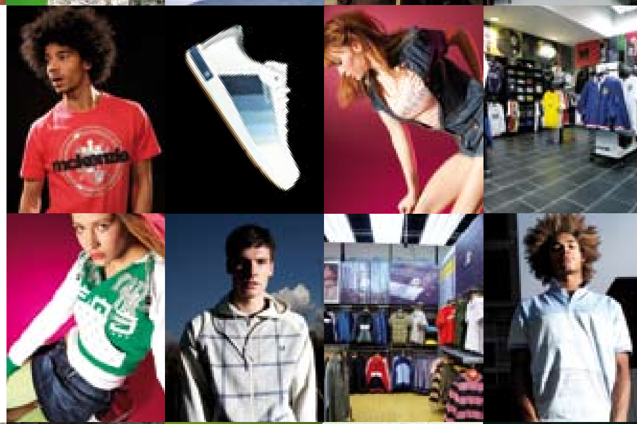


ANNUAL REPORT & ACCOUNTS 2007

the john david group plc





CONTENTS

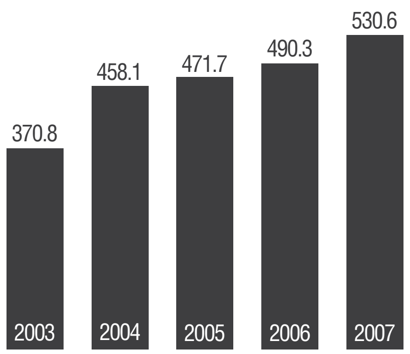
SUMMARY OF KEY PERFORMANCE INDICATORS

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Revenue	530,581	490,288
Gross profit %	47.5%	46.2%
Operating profit (before net financing costs and exceptional items)	27,301	20,121
Profit before tax and exceptional items	25,066	16,633
Exceptional items	(7,799)	(12,983)
Operating profit	19,502	7,138
Profit before tax	17,267	3,650
Basic earnings per ordinary share	21.52p	4.92p
Adjusted basic earnings per ordinary share	36.41p	25.32p
Total dividend payable per ordinary share	7.20p	6.90p
Net cash/(debt) at end of year	10,932	(13,247)

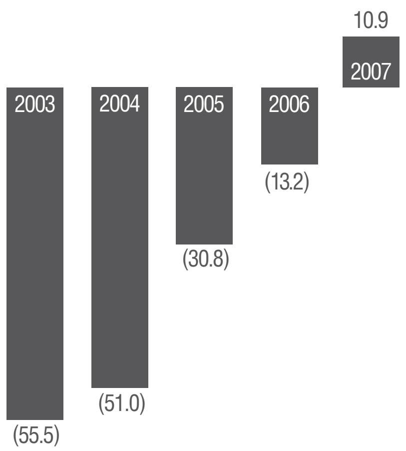
BUSINESS HIGHLIGHTS

- Total revenue increased by 8.2% in the year and by 4.7% on a like for like basis.
- Gross margin improved from 46.2% to 47.5%.
- Group profit before tax and exceptional items up 51% to £25.1 million (2006: £16.6 million).
- Group has now eliminated its year end net debt and has year end net cash balances of £10.9 million – a three year improvement of £61.9 million after acquisitions at a cost of £24.1 million in the same three year period.

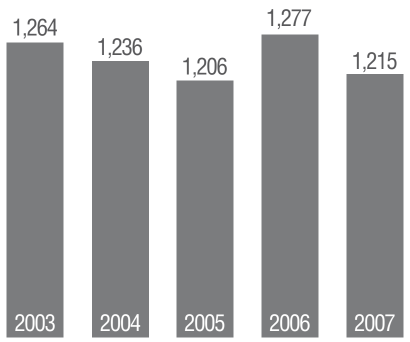
REVENUE (£M)



NET CASH/(DEBT) (£M)



RETAIL SQUARE FOOTAGE ('000 SQUARE FEET)



2003 represents a 10 month period ended 31 January 2003.

CHAIRMAN'S STATEMENT

INTRODUCTION

The 52 weeks ended 27 January 2007 represented another year of delivery of our plan to enhance operating margins and eliminate underperforming stores. We have improved our profit before tax and exceptional items by 51% in the year to £25.1 million (2006: £16.6 million).

Group profit before tax was £17.3 million (2006: £3.6 million) and Group profit after tax was £10.4 million (2006: £2.3 million).

Group operating profit before exceptional items and net financing costs for the year of £27.3 million (2006: £20.1 million) comprised a Sports Fascias profit of £29.7 million (2006: £22.6 million) and a Fashion Fascias loss of £2.4 million (2006: loss of £2.5 million).

SPORTS FASCIAS

The Sports Fascias' turnover increased to £492.8 million (2006: £448.9 million). Like for like sales for the year in the Sports Fascias excluding the Allsports and Hargreaves Airport stores portfolios were up 4.8%. Gross margin rose to 47.6% (2006: 46.3%).

The 73 ex-Allsports stores retained in the Sports Fascias as JD branches were fully integrated relatively early in the year and are performing satisfactorily. The 14 Hargreaves Airport stores, acquired from Hargreaves (Sports) Limited on 23 June 2006, were not great contributors to profit during the year and were adversely affected by new security measures operational at all airports since last August. We still believe that once these stores have been refurbished and refascia'd as necessary, with the right product offer and brand support, they will trade successfully and help us broaden our offer and appeal.

FASHION FASCIAS

The Fashion Fascias have been engaged in a further year of transition with underperforming stores gradually being eliminated and the remaining ATH- and AV stores being converted to the Scotts Fascia. Currently, there are only 6 ATH- and AV stores remaining.

In spite of a positive like for like sales performance of 3.7% for the year, turnover declined to £37.7 million (2006: £41.4 million) as a result of the store disposal programme. Eight underperforming stores were closed in the year and a further two have already been closed since the year end. Substantial losses were borne on some of these stores before they were disposed of, meaning that the results suffered from the early year losses, and did not benefit from the normal anticipated Christmas trading period profit in the year. Gross margin for the year improved to 46.3% (2006: 45.5%).

The young branded fashion sector remains competitive and we continue to believe the Fashion Fascias will only deliver profit to the Group when its major property issues are resolved. The disposals of Liverpool Open in July 2006 and Bluewater Scotts in January 2007 have both been significant steps towards this goal. We are increasingly focussed on making the right property and buying and merchandising decisions to deliver shareholder value from these Fascias.

GROUP PERFORMANCE

Revenue

Total revenue increased by 8.2% in the year (2007: £530.6 million; 2006: £490.3 million) as a result of the Group's positive like for like sales performance of 4.7% (excluding ex Allsports and ex Hargreaves Airport stores), combined with increased turnover from the ex Allsports stores in their first full year (not all of which have been retained) and from the ex Hargreaves Airport stores. Turnover growth continues to be held back in both sets of Fascias by the store rationalisation programme but enhancement of profitability will continue to be our fundamental goal rather than absolute turnover growth. Like for like sales growth is, however, essential to the achievement of our long term goals.

Gross Margin

We are pleased with the progress made in enhancing Group gross margin from 46.2% to 47.5% which we had expected to take two years to achieve. However, there remains downward pressure on selling prices and we expect economic conditions to be less favourable in the second half as recent and anticipated interest rate increases take effect. The best prospects for margin growth come from own and licensed brands if we can continue to increase their share of sales in the Sports Fascias.

Overheads

Overheads generally remain tightly controlled wherever possible though rents, rates and minimum wage rates are outside our control and represent a significant part of our cost base. We have substantially increased our marketing spend to continue developing the profile of JD and its brand offer, including support for own brands such as Carbrini and Brookhaven. We have also begun to invest more heavily in other support functions such as IT, merchandising and own brand design.

Operating Profits and Results

Operating profit before net financing costs and exceptional items increased by £7.2 million to £27.3 million (2006: £20.1 million) which represented a 36% increase on last year. Our Group operating margin (before net financing costs and exceptional items) has therefore increased to 5.1% (2006: 4.1%).

As a result of reduced exceptional items of £7.8 million (2006: £13.0 million), operating profit after exceptional items but before net financing costs rose sharply from £7.1 million to £19.5 million.

The exceptional items comprise:

	£m
Impairment of RD Scott goodwill	2.0
Impairment of ex Hargreaves Airport Stores goodwill	2.0
Lease variation costs	2.3
Onerous lease costs	1.5
Impairment of property plant and equipment in underperforming stores	1.5
Profit on disposal of fixed assets	(1.5)
Total exceptional charge	**7.8**

RD Scott Limited was acquired through a share purchase in December 2004. Whilst this acquisition has assisted us by providing increased focus on the separate operations of our two sets of Fascias, the results of the acquired Scotts stores and of the Fashion Fascias have been disappointing since the acquisition. Although progress is being made, it has been necessary to impair the goodwill carried forward from this acquisition by £2.0 million, reducing it from £4.6 million to £2.6 million.

The ex Hargreaves Airports stores were acquired in the current year and the £4.0 million initial goodwill arising from this trade and asset purchase has been impaired by £2.0 million to £2.0 million reflecting disappointing trading since acquisition. For the purposes of assessing goodwill fair values, current expectations are that concession agreements will not be extended. This assumption has been made based on the experience at Stansted Airport where BAA would not renew the concession agreement on the landside store as the space was required for additional security measures.

The lease variation costs were incurred in negotiating break options in onerous leases for stores in Oxford Street and Bluewater. The onerous lease costs provision net charge of £1.5 million comprised a charge of £1.8 million on four overrented trading stores and a credit of £0.3 million on vacant stores. The impairment charge was on a further four Sports stores and two Fashion stores which are earmarked for disposal if suitable deals can be negotiated.

Net Financing Costs

Net financing costs were down from £3.5 million to £2.3 million principally as a result of continuing debt reduction.

Debt Reduction and Working Capital

Year end net debt of £13.2 million in the previous year was eliminated and replaced by net cash balances of £10.9 million, an improvement of £24.1 million after acquisitions and dividends. Free cash flow generated in the last three years has been in excess of £92 million.

Stocks were reduced in the year by a further £4.7 million and the other net working capital movements were small. Suppliers continue to be paid to agreed terms and settlement discounts are taken.

STORE PORTFOLIO

Since March 2004, we have been working hard to rationalise our store portfolio and it is pleasing to be reporting further substantial progress this year and at a net cost below our expectations. We have closed a further 34 underperforming stores during the period and a further nine stores have already been closed since the year end. At this time last year, we indicated that this process would take at least a further year and it has not been made any easier by the number of retailers who are either ceasing trading or having to rationalise their portfolios nor by the number of new retail developments opening or in the pipeline. Therefore, we believe that it will take another year to see us through the major rationalisation programme though a fast moving environment, higher interest rates and the danger of assignments failing means that this continues to be a challenge and one for which the cost is difficult to estimate.

CHAIRMAN'S STATEMENT *(CONTINUED)*

During the year store numbers moved as follows:

Sports Fascias	Units	'000 sq ft
Start of year	370	1,133
New stores	7	14
Additional Allsports assignment	1	5
Hargreaves Airport stores	14	15
Conversions to Fashion (incl. three ex Allsports)	(4)	(5)
Closures	(26)	(64)
Close of year	**362**	**1,098**

Fashion Fascias	Units	'000 sq ft
Start of year	46	144
New stores	2	7
Conversions to Fashion (incl. three ex Allsports)	4	5
Closures	(8)	(39)
Close of year	**44**	**117**

DIVIDENDS AND EARNINGS PER ORDINARY SHARE

The Board proposes paying a final dividend of 4.80p (2006: 4.60p) bringing the total dividend payable for the year to 7.20p (2006: 6.90p) per ordinary share. The proposed final dividend will be paid on 30 July 2007 to all shareholders on the register at 11 May 2007.

The adjusted earnings per ordinary share before exceptional items was 36.41p (2006: 25.32p).

The basic earnings per ordinary share was 21.52p (2006: 4.92p).

CURRENT TRADING AND OUTLOOK

Trading since the year end has been encouraging with like for like sales for the Sports Fascias excluding the ex Hargreaves Airport stores for the 12 weeks ended 21 April 2007 being up 8.1%. The Fashion Fascias had a particularly difficult period in February 2007 and its like for like sales for the same 12 week period were down 2.1%. The Group like for like sales for this 12 week period are therefore up 7.5%.

It is the Board's view that the recent good weather and the store rationalisation programme have considerably enhanced these figures and that these benefits are unlikely to continue to the same degree in the remainder of the year. In addition, we will shortly be coming up against World Cup comparatives and interest rate increases are expected to have more impact later in the year.

Overall, the Board expects a further improvement in the Group's results for the first half of the current year but remains aware of the more challenging environment which is likely to prevail in the balance of the year.

EMPLOYEES

The Group continues to enjoy the support of a dedicated and large workforce without whom our continued improvement in performance could not be delivered. The retail environment is a tough one to work in and the Board appreciates the hard work and commitment which has led to these results in all our shops, offices and warehouses. Thank you to everybody concerned.

P. A Cowgill

Peter Cowgill
Executive Chairman
26 April 2007

‘THE PERIOD WAS ANOTHER YEAR OF DELIVERY OF OUR PLAN TO ENHANCE OPERATING MARGINS. WE HAVE IMPROVED OUR PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS BY 51% IN THE YEAR TO £25.1 MILLION.’

FINANCIAL AND RISK REVIEW

INTRODUCTION
Profit before tax increased substantially in the year from £3.7m to £17.3m. This improvement has been achieved through:

- Increased operating profits before exceptional items as a result of increasing gross margin and improved store cost ratios.
- A reduction in the level of exceptional items.
- A reduction in net financing costs due to debt reduction.

We have maintained our focus on cash generation with year end debt eliminated. The significant improvement in the Group's financial position over the three year period since the current management team came together in early 2004 means that we are now in a good position to invest in appropriate opportunities whether they be connected with the current store base or strategic acquisitions.

TAXATION
The effective rate of tax on profit has increased from 35.7% to 39.8%. This increase is principally due to the fact that certain depreciation charges and the impairment of the goodwill in RD Scott Limited within the exceptional items do not qualify for any form of tax relief. It is not expected that such a high effective rate of tax will continue to be experienced.

EARNINGS PER SHARE
The basic earnings per share has increased from 4.92p to 21.52p. However, we believe that the more appropriate measure of our earnings performance is the adjusted basic earnings per share which excludes the post tax effect of exceptional items except those pertaining to the gain or loss on the disposal of non-current assets. The adjusted basic earnings per share rose by 44% from 25.32p to 36.41p.

DEBT REDUCTION
Continuing strong free cash flow has also meant that the Group ended the year with net cash balances of £10.9m. Over the last three years the net cash position of the Group has now improved by £61.9m even after the acquisitions of RD Scott, Allsports and the Hargreaves Airport stores in this three year period for cash totalling £24.1 million. The reduction in debt has been achieved through improved trading performance and tight controls over stocks and capital expenditure. Creditors continue to be paid to terms to maximise settlement discounts with our year end creditor days being 32 (2006: 34).

The improvement in the cash position of the Group has enabled the Group to benefit from lower net financing costs with the net charge in the year reducing from £3.5m to £2.2m.

FACILITY RESTRUCTURING & TREASURY
A new £70.0 million bank syndicated facility was agreed in October 2006. The new facility is entirely revolver based and contains no fixed repayment element. We believe that a revolving facility with monthly drawdowns of debt is best suited to the business given the cyclical nature of the cash flows in the business, particularly with regard to the trading peak at Christmas and the quarterly store rent payments. The improved financial position of the Group also enabled us to achieve our objective of securing lower average margin rates. The new facility has been committed for a five year period with the fees incurred being amortised over the same timescale. The facility can be used for acquisitions as long as relevant conditions are complied with.

Interest rate hedging has not been put in place on the new facility. We are mindful of the current upward trend in the base rate but, given that we do not drawdown on the facility at certain times of the year, we do not feel that a long term interest rate hedge is necessary. However, we recognise that this position may change and it is one that we review regularly along with the level of our facility requirements.

The Group's principal foreign exchange exposure continues to be on the sourcing of own brand merchandise from the Far East which usually has to be paid for in US Dollars. We set a buying rate at the start of the buying season (typically six to nine months before the product actually starts to appear in the stores) and we then lock into rates at or above this rate through appropriate foreign exchange instruments.

RISK FACTORS
Any business undertaking will involve some risk with many risk factors common to any business no matter what sector it operates in. However, the Directors consider that certain key risks and uncertainties are more specific to the Group and the market in which it operates. An assessment of such factors is set out below:

Dependence on Certain Key Brands and Competition

A significant proportion of the Group's revenue comes from the sale of goods sourced from a small number of branded suppliers. The Group is conscious that it cannot be overdependent on these key brands as they are also available in a number of other retailers. To reduce this risk the Group has taken the following actions:

- Develop relationships with new brands and seek exclusivity on the sale of these brands within the UK market.
- Work with the key branded suppliers on the development of product that is unique to the Group and only available in the Group's businesses.
- Increase the proportion of sales from own and licensed brands by developing new brand names and expanding product ranges of existing brands.

Property Developments

The retail landscape has seen significant changes in recent years with a number of new retail developments either already opened or in the pipeline. As such, the Group is exposed where it has committed itself to a long term lease in a location which, as a result of the opening of another retail scheme, is no longer attractive to the customer and so suffers reduced footfall.

When the Group is made aware of a new development, a review is performed to establish the possible impact on the existing stores and then considers whether an exit strategy is needed. Where possible we try and work with the relevant landlords to agree a surrender although this is not always possible. Where a surrender is not possible, we seek to either assign the lease to another retailer or attract a sub tenant. In many cases this necessitates the payment of an incentive to the other retailer. Assigning the lease or finding a sub tenant are not without risk because if the other retailer fails then we can potentially become liable for the main headlease again.

Seasonality

The Group's business is highly seasonal. Historically, the Group's most important trading period in terms of sales, profitability and cash flow has been the Christmas season. Lower than expected performance in this period may have an adverse impact on results for the full year which may result in excess inventories which are difficult to liquidate.

Damage to Reputation of Brands

The Group is heavily dependent on the brands which it sells being desirable to the customer. As such, we are exposed to events or circumstances which may or may not be under our control which could give rise to liability claims and/or reputational damage.

We work with our suppliers to ensure that the product which we source from them satisfies the increasingly stringent laws and regulations governing issues of health and safety, packaging and labelling, pollution and other environmental factors.

DIVIDENDS
A final cash only dividend of 4.80p per share is proposed to make the full dividend payable for the year 7.20p, an increase of 4.3% from the prior year. Although some dividend growth is expected in future years, this growth is likely to be restricted so that we have sufficient headroom in our facilities for the business to continue the store rationalisation programme, invest in new stores and make appropriate strategic acquisitions which will maximise future shareholder value.

Brian Small
Group Finance Director
26 April 2007

PROPERTY AND STORES REVIEW

The ongoing review of the property portfolio has resulted in the closure of 34 under performing stores during the period as we continue to drive the efficiency of the store base upwards. New stores are taken when suitable opportunities occur and in the period a total of nine new stores were opened. Two of the new stores which were opened in the year (Middlesbrough and Ayr) were fitted with a new trial shopfit. The initial results in these two stores are encouraging and we intend to extend the trial of this new shopfit into other new stores and refurbishments planned for the period to January 2008.

In addition, the Group looks to utilise all its space in the most effective manner possible and enhance future performance through extensions, refurbishments and conversions to other group fascias. Major works undertaken in the year include:

• Conversion of the ex Allsports stores to existing fascias (73 JDs and 3 Scotts).
• Conversion of a further two ex JD fashion stores to the Scotts fascia.

The acquisition of 14 stores in Airport locations from Hargreaves (Sports) Limited gave the Group a further 15,000 sq ft of retail space. These stores are licensed from BAA for periods up to five years and currently operate under four different legacy fascia names (Hargreaves, Nike, Quiksilver and Beach Party) with these names owned by other third party companies. The conversions of the stores previously fascia'd as Hargreaves to the JD fascia format are planned to take place as soon as practicable. As a result of the need for increased space for security measures, the license at one store in Stansted Airport was not renewed and the store subsequently closed after the year end.

The store portfolio at 27 January 2007 and 28 January 2006 can be analysed as follows:

	No. of Stores		**Retail (000 sq ft)**	
Sports Fascias	**2007**	**2006**	**2007**	**2006**
High Street	316	338	863	913
Airport stores acquired	14	-	15	-
Out of Town	32	32	220	220
Total	362	370	1,098	1,133

	No. of Stores		**Retail (000 sq ft)**	
Fashion Fascias	**2007**	**2006**	**2007**	**2006**
Ath / AV	7	14	16	37
Open	1	2	22	40
Scotts	34	28	76	64
Lacoste	2	2	3	3
Total	44	46	117	144
Group Total	**406**	**416**	**1,215**	**1,277**

The portfolio review will be continued into future financial years and the efficiency of the portfolio should continue to improve as a result. It is anticipated that approximately 20 stores will be closed this year and at least six will be opened.

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 co-operation 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 and we 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

General

The Group fulfills 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.

Energy

We aim to give our customers an enjoyable retail experience in our stores with goods presented in an environment that is both well lit and has an ambient temperature. However, we acknowledge that we must be responsible in our energy usage. As such, we have now commenced a process to review our usage of energy with independent qualified consultants engaged to make appropriate recommendations. We will report on this matter further in our 2008 report.

Recycling

Wherever possible, cardboard (the major packaging constituent in the business) is taken back to our distribution centres. The cardboard is then baled and passed to recycling businesses for reprocessing. During the year we increased our recycling of cardboard to 113.5 tonnes (2006: 79.1 tonnes).

The Group has introduced new performance measures in the year for the recycling of paper in the business. This is now collected centrally for recycling and in the year 89.6 tonnes of paper were recycled.

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 our branded product suppliers wherever practicable but on occasions we rely on their good faith and statements of policy along with our own supplier contract which contains a set of 'Employment Standards For Suppliers'.

GENERAL SOCIAL RESPONSIBILITY

The Group seeks to be involved in the community where it can make an appropriate contribution from its resources and skill base. A good example of this was our support for the international MS Life Conference held in April 2006 in Manchester by The Multiple Sclerosis Society. We intend to repeat this in 2008 when the conference is expected to return to Manchester.

THE BOARD

PETER COWGILL
Executive Chairman and Chairman of the Nominations Committee aged 54

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. He is a Non-Executive Director of a number of private companies and Non-Executive Chairman of United Carpets Plc and Air Music & Media Group Plc.

BARRY BOWN
Chief Executive aged 46

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 50

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.

COLIN ARCHER
Non-Executive Director, Chairman of Audit and Remuneration Committees and member of the Nominations Committee aged 65

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, member of Audit, Remuneration and Nominations Committees aged 44

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 27 January 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A review of the business, providing a comprehensive analysis of the main trends and factors likely to affect the development, performance and position of the business, including environmental, employee, social and community issues together with the Group's Key Performance Indicators and a description of the principal risks and uncertainties facing the business is detailed on pages 02 to 15 as follows:

- Summary of Key Performance Indicators (page 02).
- Chairman's Statement (pages 04 to 06).
- Financial and Risk Review (pages 10 to 11).
- Property and Stores Review (page 13).
- Corporate and Social Responsibility (page 15).

RESULTS

Revenue for the 52 week period ended 27 January 2007 was £530.6 million and profit before tax £17.3 million compared with £490.3 million and £3.7 million respectively in the previous financial year. The Consolidated Income Statement is set out on page 41.

PROPOSED DIVIDEND

The Directors recommend a final dividend of 4.80p per ordinary share (2006: 4.60p), which together with the interim dividend of 2.40p per ordinary share (2006: 2.30p) makes the total dividend payable for the year 7.20p (2006: 6.90p).

If approved at the next Annual General Meeting, the dividend will be paid on 30 July 2007 to shareholders on the register at the close of business on 11 May 2007.

DIRECTORS

The names of the current directors of the Company and their biographical details are given on page 16. Mr P Cowgill and Mr B Bown retire by rotation at the next Annual General Meeting and are eligible for re-election.

DIRECTORS' INTERESTS

The interests of the Directors who held office at 27 January 2007 and their immediate families in the Company's shares are shown below:

	Ordinary shares of 5p each	
	27 January 2007	**28 January 2006**
P Cowgill	380,263	380,263
B Bown	5,676	5,676
C Archer	8,850	8,850
	394,789	394,789

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

As at 26 April 2007, the Company has been advised by the following companies of notifiable interests in its ordinary share capital:

	Number of ordinary shares	**%**
Pentland Group Plc	27,566,256	57.12
Sports World International Ltd	4,880,855	10.11
Aberforth Partners	4,260,272	8.83
AXA Rosenberg	3,243,189	6.72
Barclays Plc	1,511,689	3.13

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.

DIRECTORS' REPORT *(CONTINUED)*

DONATIONS

During the year the Group made charitable donations of £8,200 (2006: £nil). No political donations were made in the year (2006: £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 32 (2006: 34).

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

AUDITOR

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 auditor of the Company.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each person who is a director at the date of approval of this report confirms that:

- So far as he is aware, there is no relevant audit information of which the Company's auditor is unaware.
- Each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting to be held at 1.00pm on 26 July 2007 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.

By order of the Board of Directors

B Small	**Hollinsbrook Way**
Secretary	**Pilsworth, Bury**
26 April 2007	**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 two non-executive directors, both of whom are independent under the Code, and three executive directors. Brief profiles of each director and their positions are set out on page 16.

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 C Archer is the recognised senior independent non-executive director. The Board believes that the two non-executives have provided ample guidance to and control over the three executive directors in a demanding 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 nine Board Meetings in the year including those convened to discuss and sanction the acquisition of the trade and certain assets of 14 stores in Airport locations from Hargreaves (Sports) 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 but who 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 three 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. During the process, individual performance is assessed.

The Committee met on three occasions during the year.

Halliwell Consulting were retained through the year to advise the Committee on senior remuneration policy.

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 auditor. The Audit Committee met three times in the year with the auditor attending each meeting.

In the year 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 auditor. In reviewing the non-audit fees, the Committee also considers the independence of the external auditor and whether its engagement to supply non-audit services is appropriate.
- 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.

CORPORATE GOVERNANCE *(CONTINUED)*

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 exists whereby perceived wrongdoing may be reported via telephone, anonymously if necessary.

Nomination Committee

The Nomination Committee currently comprises the Chairman and the independent non-executive directors. The Nomination Committee has not been required to meet in the period.

Board And Commitee Attendance

The attendance record of individual directors at Board and committee meetings is detailed below.

	Board Meetings	Remuneration Committee	Audit Committee
Number of meetings in year	**9**	**3**	**3**
P Cowgill	9	-	-
B Bown	7	-	-
B Small	9	-	-
C Archer	9	3	3
C Bird	8	3	3

P Cowgill and B Small attended all the committee meetings at the invitation of the non-executive directors.

DIRECTORS' REMUNERATION

The Directors' Report on Remuneration and Related Matters is set out on pages 28 to 34.

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.

Specific

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 of Directors and of the Company Secretary.
- Approving policies relating to directors' remuneration and the severance of directors' contracts.
- Ensuring that a satisfactory dialogue takes place with shareholders.

INTERNAL CONTROL AND AUDIT

Following publication of 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place for the year under review and up to the date of approval of the annual report and accounts, and is regularly reviewed by the Board and accords with the guidance.

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 is known to have occurred during the last year which suggests such a function is necessary and the associated costs justified.

CORPORATE GOVERNANCE *(CONTINUED)*

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 formal feedback to the Board on meetings between management, analysts and investors which seeks to convey the financial market's perception of the Group.

External brokers' reports on the Group are also circulated to all directors. In addition, the non-executive directors attend results presentations and analyst and institutional investor meetings whenever possible. 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 larger shareholders on a range of issues affecting its performance. These include meetings following the announcement of the annual results with the Group's largest shareholders on an individual basis. In addition, the Group responds to individual ad hoc requests for discussions from significant shareholders. The senior independent non-executive 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.

DIRECTORS' 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 auditor is 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 unaudited and audited 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 26 July 2007.

UNAUDITED INFORMATION

REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") comprises both independent Non Executive Directors, being Chris Bird and myself as Chairman of the Committee.

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. When the Committee is considering matters concerning key executives below Board level advice is sought from the executive directors. The Committee also received wholly independent advice on executive compensation and incentives from Halliwell Consulting during the period. Halliwell Consulting provided no other services to the Company in the period.

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 met three times during the last year with each member attending all the meetings.

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 with the opportunity to earn significant rewards from short and long-term incentives provided stretching performance targets are met which lead to the enhancement of shareholder value.

However, currently the opportunity for the executive directors to earn competitive rewards is severely restricted due to the absence of any long-term incentive component in the remuneration package. In 2005, a proposal to introduce an equity based Long Term Incentive Plan to incentivise the executive directors was agreed by the committee for submission to shareholders at the Annual General Meeting. This proposal received support from the institutional and larger shareholders but this resolution was withdrawn following the purchase of a majority shareholding by Pentland Group Plc ('Pentland'). Although it has always been the intention of the Committee to implement an alternative competitive replacement arrangement as soon as possible this has not been easy to achieve and the entire Board has concentrated more on ensuring the successful turnaround of the Group. Given this turnaround in the Group's financial performance over the last three years total remuneration paid to the executive directors has been disproportionately low compared to the value created for shareholders. As such a special bonus will be paid in May 2007 to the executives directors for the value they have created since 2004 and to compensate them for the absence of any long term incentive arrangement.

Although the Committee is aware that the payment of special discretionary bonuses is not in line with corporate governance best practice it believes that this payment is necessary to retain the current executive team and to focus them on continuing to grow shareholder value. The terms of this payment have been discussed with the Company's major shareholders and are set out on page 31.

The Committee recognises the need to motivate and retain the executive team going forward. As such, the Committee in conjunction with Halliwell Consulting conducted a full review of its remuneration policy in March 2007. The conclusions drawn from the review have led to the following changes in remuneration policy and its application:

- Salaries will be increased to a more competitive level.
- The annual bonus payment will remain at a maximum of 100% of salary. The performance targets relating to the bonus will now be based on the achievement of pre-determined profit targets in line with market expectations.
- A new cash-based long term incentive arrangement will be put to shareholders for approval to ensure that management are locked in and appropriately rewarded for creating long-term value going forward. Further details of the arrangement will be provided to shareholders in a separate circular as soon as possible.

The Committee is of the opinion that the above changes are necessary to retain the management team and focus them on further enhancing value for shareholders thereby further aligning the interests of executives with those of shareholders.

COMPONENTS OF REMUNERATION

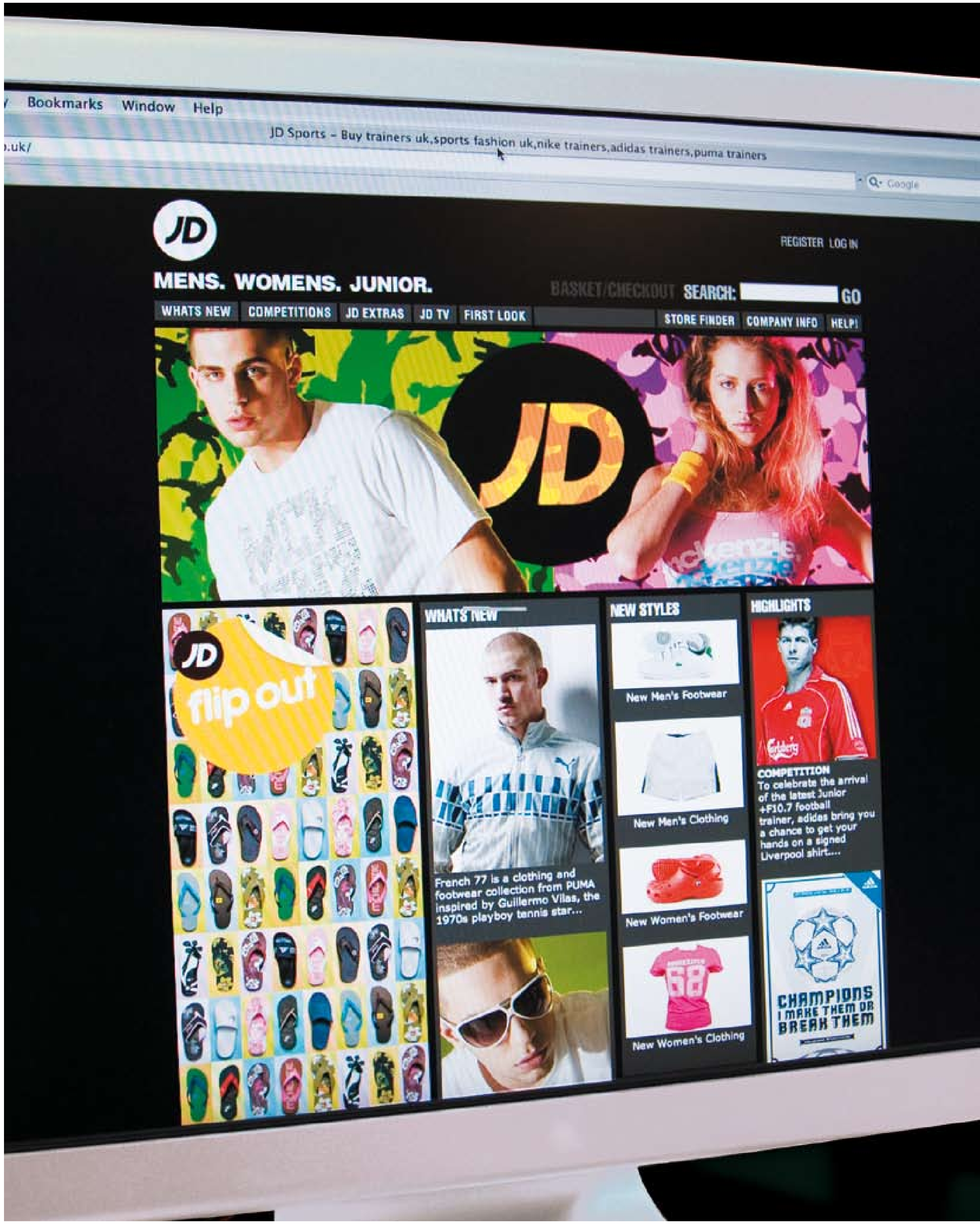
The main components of the current remuneration package are:

Base Salary

The policy of the Committee has always been to set base salaries for the executive directors around the lower quartile when compared to UK quoted retailers with similar corporate attributes to those of 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 comparable retail companies carried out by Halliwell Consulting.
- The performance of the individual executive director and their contribution to the performance of the business.
- Experience and responsibilities of each executive director.
- Pay and conditions throughout the Group.



DIRECTORS' REPORT ON REMUNERATION AND RELATED MATTERS *(CONTINUED)*

In line with the revised remuneration policy, new salaries have been set for the executive directors with effect from 1 April 2007. For the Executive Chairman, the pay increase reflects his personal contribution to the turnaround and strategic development of the Company and the increased related time commitment necessitated by this. For the Chief Executive and Finance Director the pay increases take into account their performance, the market and continued development in their respective roles.

With effect from 1 April 2007 the following salaries will apply for the executive directors:

Executive Director	New Salary	Position against comparator group
Peter Cowgill*	£385,000	Median
Barry Bown*	£275,000	Lower Quartile
Brian Small	£170,000	Lower Quartile

* Peter Cowgill and Barry Bown will no longer receive any additional cash benefits in lieu of a fully expensed car following this increase in salary.

The Committee is of the opinion that the above salary rises are required to ensure that it retains the services of the executive directors who are crucial to the ongoing success of the Company.

Annual Bonus

For the period ended 27 January 2007, each executive director was entitled to be paid a bonus which is calculated (in bands) by reference to the percentage by which the adjusted earnings per ordinary share for the financial year exceeds the adjusted earnings per ordinary share for the preceding financial period The maximum bonus payable to each director is 100% of salary, and is not pensionable. All executive directors were awarded the maximum bonus for the period after achieving annual adjusted earnings per ordinary share growth of over 40%.

As part of the strategic remuneration review the Committee has decided to make changes to the performance measures applying to the annual bonus. The level of payout under the annual bonus for the next three years will be based on the achievement of absolute profit targets. Details of the actual profit measures applying to the bonus and the level of bonus earned in relation to that target will be set out in further detail in the Remuneration Report for 2008.
The targets will be reviewed by the Committee at the beginning of each financial year to ensure that they are appropriate to the current market conditions and position of the Company and remain challenging. It should be noted that the maximum bonus potentially available for the executive directors for the period ending 2 February 2008 will remain at 100% of salary.

Special Bonus

The Committee believes that a special bonus is necessary to retain the current executive team and to compensate them for the significant value created for shareholders since 2004 given the lack of any long term incentive structure. As such, the Committee has decided to make the following cash payments to the executive directors in May 2007 (these payments have been included in the Consolidated Income Statement for the period ended 28th January 2007):

Participants	Amount
Peter Cowgill	£1,000,000
Barry Bown	£600,000
Brian Small	£400,000

On the assumption that a new cash-based long term incentive plan will be implemented as soon as possible, the Committee does not intend to make any further special payments to the executive directors.

Share Awards

No share options have been granted since the last report.

As noted above the Committee intends to put a new cash-based long-term incentive arrangement to shareholders which will align the interests of shareholders with executives more closely.

Other Benefits

The Company makes contributions into individual personal pension schemes for Mr B Bown and Mr B Small at a defined percentage of salary, excluding bonus and other forms of remuneration.

Other benefits vary from director to director and include entitlement to a fully expensed car (Brian Small only), 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 HM Revenue and Customs scale charges.

The Committee actively reviews the levels of benefit received to ensure that they remain competitive in the UK quoted environment.

SERVICE CONTRACTS

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

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

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

DIRECTORS' REPORT ON REMUNERATION AND RELATED MATTERS *(CONTINUED)*

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 19.

NON-EXECUTIVE DIRECTORS

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.

Their remuneration is determined by the Board taking into account the scope and nature of their duties and market rates. The Non-Executive Directors do not participate in the Company's incentive arrangements and no pension contributions are made in respect of them. Details of the fees are set out in the audited information on page 34.

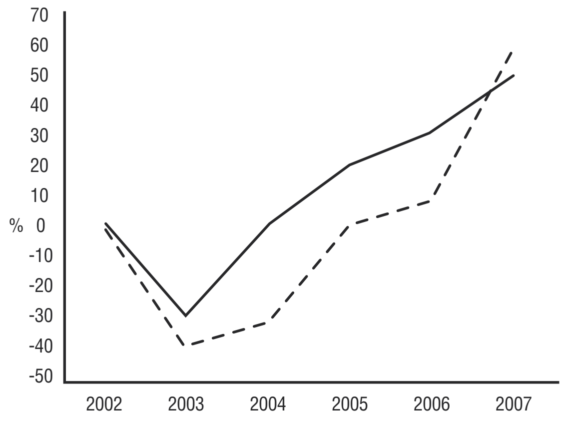
TOTAL SHAREHOLDER RETURN

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.

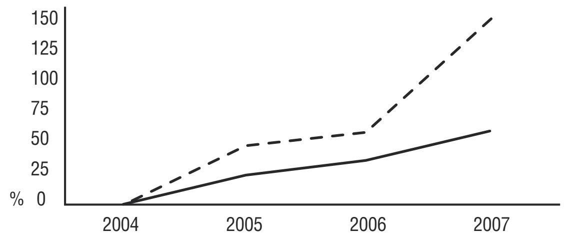
TSR is calculated for each financial year end relative to the base date of 31 March 2002 by taking the percentage change of the market price over the relevant period, re-investing any dividends at the ex-dividend rate.

The following chart illustrates the TSR of the Company from 31 January 2004 as this illustrates the return generated by the current management team relative to the FTSE All Share General Retailers Index.

TOTAL SHAREHOLDER RETURN FROM JANUARY 2002



TOTAL SHAREHOLDER RETURN FROM JANUARY 2004



The John David Group Plc

FTSE All Share General Retailer Index

DIRECTORS' REPORT ON REMUNERATION AND RELATED MATTERS *(CONTINUED)*

AUDITED INFORMATION

INDIVIDUAL DIRECTORS' EMOLUMENTS

Directors' salaries and benefits charged in the period to 27 January 2007 are set out below. The comparatives for the period to 28 January 2006 exclude amounts in respect of any gains on the exercise of share options which are detailed below.

	Salary and fees £000	Benefits excluding pensions £000	Annual performance related bonus £000	Special bonus £000	2007 Total £000	2006 Total £000	2007 Pension costs £000	2006 Pension costs £000
P Cowgill	205	12	206	1,000	1,423	388	-	-
B Bown	209	17	210	600	1,036	409	16	16
B Small	139	15	140	400	694	284	16	16
C Archer	34	-	-	-	34	37	-	-
C Bird	25	-	-	-	25	24	-	-
J Wardle	-	-	-	-	-	7	-	-
D Makin	-	-	-	-	-	7	-	-
	612	44	556	2,000	3,212	1,156	32	32

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

SHARE OPTIONS

No options held by directors were exercised in the current period.

Following the acquisition of the Group by Pentland Group Plc on 11 May 2005 all share options crystallised and became available for exercising between 11 May and 30 November 2005. After 30 November 2005 all remaining options lapsed. On 22 July 2005 Mr B Bown and Mr B Small exercised 70,000 and 100,000 options at option exercise prices of 162.0p and 168.0p respectively. The share price at this time was 220.0p resulting in a gain before tax of £40,600 for Mr B Bown and £52,000 for Mr B Small.

The market value of the Company's shares at 27 January 2007 was 383.5p. The highest and lowest prices during the financial year were 384.0p and 240.0p respectively. The price at 26 April 2007 was 491.25p.

On behalf of the Board of Directors

Colin Archer
Non-Executive Director and Chairman of the Remuneration Committee
26 April 2007

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether they have been prepared in accordance with IFRSs as adopted by the EU.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the Group and Parent Company financial statements (the 'financial statements') of The John David Group Plc for the period ended 27 January 2007 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. 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 AUDITOR

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Directors' Responsibility Statement on page 36.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Summary of Key Performance Indicators, Chairman's Statement, Financial and Risk Review, Property and Stores Review and Corporate and Social Responsibility that is cross referenced from the Principal Activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 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. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

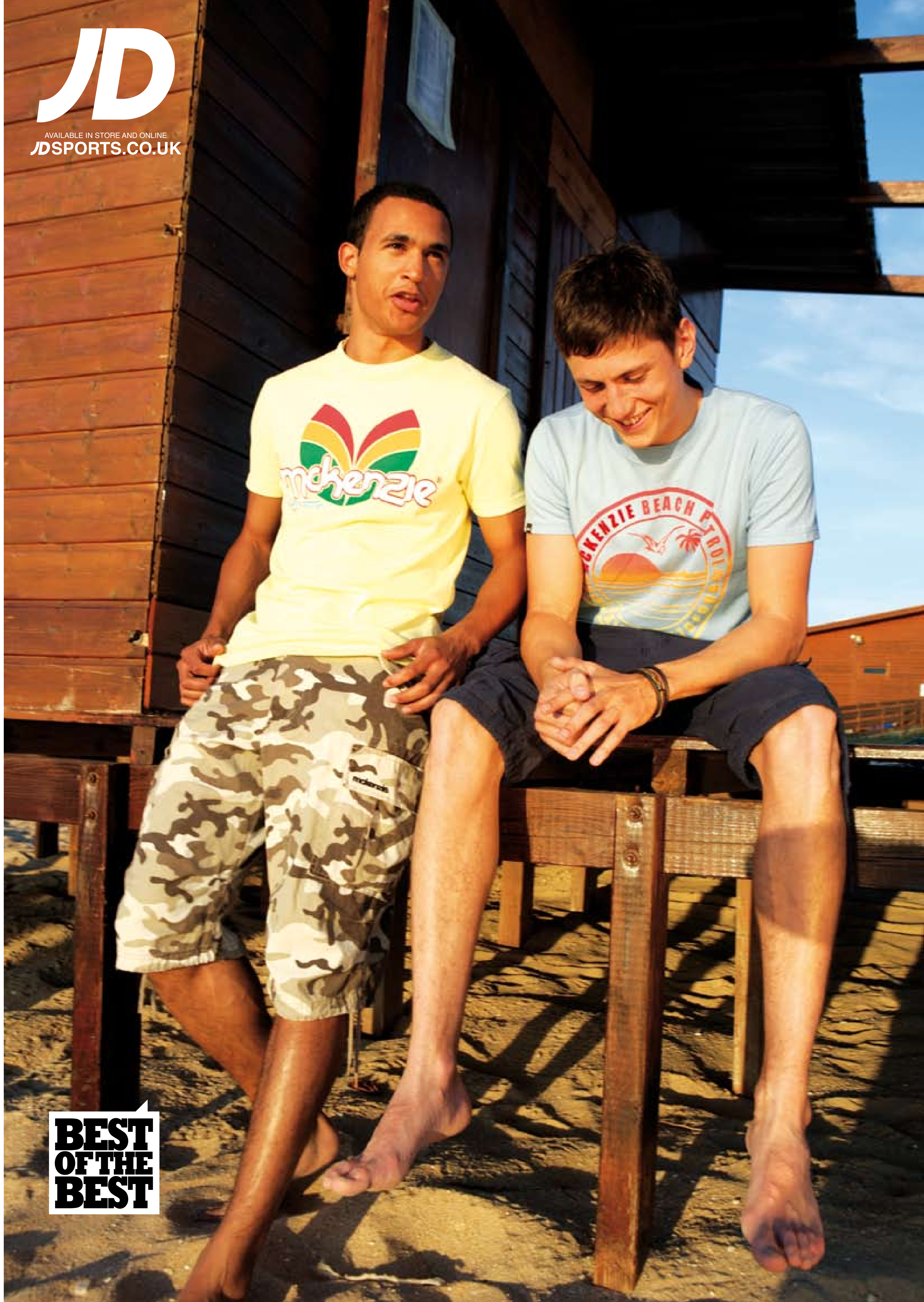
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 27 January 2007 and of its profit for the year then ended.
- The parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 27 January 2007.
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.
- The information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Preston
26 April 2007



CONSOLIDATED INCOME STATEMENT

FOR THE 52 WEEKS ENDED 27 JANUARY 2007

	Note	**52 weeks to 27 January 2007 Continuing Operations £000**	**52 weeks to 27 January 2007 Continuing Operations £000**	52 weeks to 28 January 2006 Continuing Operations £000	52 weeks to 28 January 2006 Continuing Operations £000
REVENUE			**530,581**		490,288
Cost of sales			**(278,331)**		(263,608)
GROSS PROFIT			**252,250**		226,680
Selling and distribution expenses - normal		**(209,270)**		(192,730)	
Selling and distribution expenses - exceptional	4	**(3,799)**		(11,206)	
Selling and distribution expenses			**(213,069)**		(203,936)
Administrative expenses - normal		**(17,409)**		(15,438)	
Administrative expenses - exceptional	4	**(4,000)**		(1,777)	
Administrative expenses			**(21,409)**		(17,215)
Other operating income	3		**1,730**		1,609
OPERATING PROFIT			**19,502**		7,138
Before exceptional items			**27,301**		20,121
Exceptional items	4		**(7,799)**		(12,983)
OPERATING PROFIT			**19,502**		7,138
Financial income	7		**177**		230
Financial expenses	8		**(2,412)**		(3,718)
PROFIT BEFORE TAX	3		**17,267**		3,650
Income tax expense	9		**(6,879)**		(1,302)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			**10,388**		2,348
Basic earnings per ordinary share	10		**21.52p**		4.92p
Diluted earnings per ordinary share	10		**21.52p**		4.92p

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE 52 WEEKS ENDED 27 JANUARY 2007

GROUP

The Group has no material recognised gains or losses during the current or previous period other than the results reported above.

COMPANY

The Company has no material recognised gains or losses during the current or previous period other than the results reported in note 23.

BALANCE SHEETS

AS AT 27 JANUARY 2007

		GROUP		COMPANY	
	Note	**As at 27 January 2007 £000**	As at 28 January 2006 £000 Restated (1)	**As at 27 January 2007 £000**	As at 28 January 2006 £000 Restated (1)
ASSETS					
Intangible assets	11	**20,562**	20,517	**17,945**	15,900
Property, plant and equipment	12	**41,919**	49,040	**36,739**	45,665
Other receivables	13	**2,753**	2,515	**2,592**	2,473
Investments	14	**-**	-	**3,470**	4,470
TOTAL NON-CURRENT ASSETS		**65,234**	72,072	**60,746**	68,508
Inventories	15	**51,469**	56,168	**47,109**	51,171
Income tax receivable		**-**	1,736	**-**	1,736
Trade and other receivables	16	**13,012**	12,539	**22,325**	23,260
Cash and cash equivalents	17	**11,230**	9,336	**11,425**	8,197
TOTAL CURRENT ASSETS		**75,711**	79,779	**80,859**	84,364
TOTAL ASSETS		**140,945**	151,851	**141,605**	152,872
LIABILITIES					
Interest bearing loans and borrowings	18	**(106)**	(12,178)	**(95)**	(12,000)
Trade and other payables	20	**(58,849)**	(56,202)	**(54,838)**	(51,192)
Provisions	21	**(2,130)**	(2,569)	**(1,531)**	(2,456)
Income tax liabilities		**(3,477)**	-	**(3,477)**	-
TOTAL CURRENT LIABILITIES		**(64,562)**	(70,949)	**(59,941)**	(65,648)
Interest bearing loans and borrowings	18	**(192)**	(10,405)	**(192)**	(10,287)
Other payables	20	**(8,189)**	(9,299)	**(14,588)**	(15,883)
Provisions	21	**(4,829)**	(4,988)	**(1,707)**	(4,542)
Deferred tax liabilities	22	**(1,571)**	(1,617)	**(1,490)**	(1,656)
TOTAL NON-CURRENT LIABILITIES		**(14,781)**	(26,309)	**(17,977)**	(32,368)
TOTAL LIABILITIES		**(79,343)**	(97,258)	**(77,918)**	(98,016)
TOTAL ASSETS LESS TOTAL LIABILITIES		**61,602**	54,593	**63,687**	54,856
CAPITAL AND RESERVES					
Issued ordinary share capital	23	**2,413**	2,413	**2,413**	2,413
Share premium	23	**10,823**	10,823	**10,823**	10,823
Retained earnings	23	**48,366**	41,357	**50,451**	41,620
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**61,602**	54,593	**63,687**	54,856

(1) The Group and Company Balance Sheets at 28 January 2006 have been restated in accordance with IFRS3 'Business Combinations' to reflect fair value adjustments made on the acquisition of Allsports during the hindsight period (see note 11).

These financial statements were approved by the Board of Directors on 26 April 2007 and were signed on its behalf by:

B Bown

B Small

Directors

CASH FLOW STATEMENTS

FOR THE 52 WEEKS ENDED 27 JANUARY 2007

		GROUP		COMPANY	
	Note	**52 weeks to 27 January 2007 £000**	52 weeks to 28 January 2006 £000 Restated (1)	**52 weeks to 27 January 2007 £000**	52 weeks to 28 January 2006 £000 Restated (1)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the period	23	**10,388**	2,348	**12,210**	2,560
Income tax expense	9	**6,879**	1,302	**7,217**	1,547
Financial expenses	8	**2,412**	3,718	**2,336**	3,087
Financial income	7	**(177)**	(230)	**(149)**	(230)
Depreciation of property, plant and equipment	12	**11,451**	10,236	**10,818**	9,715
Impairment of property, plant and equipment	4	**1,482**	3,172	**842**	3,172
Impairment of intangible assets	11	**4,000**	-	**2,000**	-
Impairment of investments	14	**-**	-	**2,000**	-
Amortisation of non-current other receivables	3	**437**	396	**412**	267
Impairment of non-current other receivables	4	**-**	34	**-**	34
Profit on disposal of non-current assets	4	**(1,491)**	(676)	**(2,138)**	(505)
Decrease in inventories		**5,299**	10,585	**4,662**	13,702
(Increase)/decrease in trade and other receivables		**(475)**	669	**509**	(4,286)
Increase/(decrease) in trade and other payables and provisions		**1,488**	13,895	**(1,259)**	11,215
Interest paid		**(2,412)**	(3,718)	**(2,336)**	(3,087)
Income taxes paid		**(1,712)**	(2,841)	**(1,712)**	(2,841)
NET CASH FROM OPERATING ACTIVITIES		**37,569**	38,890	**35,412**	34,350
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		**177**	230	**149**	230
Proceeds from sale of non-current assets		**11,099**	1,782	**11,099**	1,602
Disposal costs of non-current assets		**(2,188)**	(683)	**(1,668)**	(683)
Acquisition of property, plant and equipment	12	**(13,665)**	(6,566)	**(11,046)**	(4,851)
Acquisition of non-current other receivables		**(434)**	(261)	**(339)**	(91)
Cash consideration of acquisitions	11	**(5,000)**	(14,517)	**(5,000)**	(14,517)
NET CASH USED IN INVESTING ACTIVITIES		**(10,011)**	(20,015)	**(6,805)**	(18,310)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary share capital	23	**-**	1,197	**-**	1,197
Repayment of interest bearing loans and borrowings		**(22,000)**	(12,500)	**(22,000)**	(12,500)
Payment of finance lease and similar hire purchase contracts		**(285)**	(415)	**-**	-
Dividends paid		**(3,379)**	(2,552)	**(3,379)**	(2,552)
NET CASH USED IN FINANCING ACTIVITIES		**(25,664)**	(14,270)	**(25,379)**	(13,855)
NET INCREASE IN CASH AND CASH EQUIVALENTS	28	**1,894**	4,605	**3,228**	2,185
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	28	**9,336**	4,731	**8,197**	6,012
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	28	**11,230**	9,336	**11,425**	8,197

(1) The Group and Company Cash Flow Statements for the 52 weeks to 28 January 2006 have been restated in accordance with IFRS3 'Business Combinations' to reflect fair value adjustments made on the acquisition of Allsports during the hindsight period (see note 11).

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The John David Group Plc (the "Company") is a company incorporated and domiciled in the United Kingdom. The financial statements for the period ended 27 January 2007 represent those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its group.

The financial statements were authorised for issue by the Board of Directors on 26 April 2007.

BASIS OF PREPARATION

European Union ('EU LAW') law (IAS Regulation EC 1606/2002) requires that the financial statements of the Group are prepared and approved in accordance with International Financial Reporting Standards as adopted by the EU ('EU-IFRS'). The financial statements have been prepared on the basis of the recognition and measurement requirements of EU-IFRS that are endorsed by the EU and effective at 27 January 2007.

The Company has chosen to present its own results under EU-IFRS and by publishing the Company financial statements here, with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes.

The following EU-IFRSs, which will have an impact for the Group, were available for early adoption but have not been applied in these financial statements:

- Amendments to IAS1 'Presentation of Financial Statements' applicable for financial periods commencing on or after 1 January 2007. This introduces new requirements for capital disclosures and, as such, will have no impact on the Consolidated Income Statement or Group and Company Balance Sheets.
- IFRS7 'Financial Instruments: Disclosure' applicable for financial periods commencing on or after 1 January 2007. This introduces new disclosures for financial instruments and, as such, will have no impact on the Consolidated Income Statement or Group and Company Balance Sheets.
- IFRS8 'Operating Segments' applicable for financial periods commencing on or after 1 January 2009. This requires that entities adopt the 'management approach' to reporting the financial performance of it's operating segments. It is concerned with disclosures only and, as such, will have no impact on the Consolidated Income Statement or Group and Company Balance Sheets.

All other standards that are available for early adoption have no impact for the Group.

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention, as modified for financial assets and liabilities (including derivative instruments) at fair value through the Consolidated Income Statement.

The preparation of financial statements in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have unless otherwise stated been applied consistently to all periods present in these financial statements and have been applied consistently by all Group entities.

BASIS OF CONSOLIDATION

I. Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

II. Transactions eliminated on consolidation

Intragroup balances and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

I. Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful economic lives, they are accounted for as separate items.

II. Leased assets

Assets funded through finance leases and similar hire purchase contracts are capitalised as property, plant and equipment where the Group assumes substantially all of the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Future instalments under such leases, net of financing costs, are included within interest bearing loans and borrowings. Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element which reduces the outstanding obligation for future installments so as to give a constant charge on the outstanding obligation.

All other leases are accounted for as operating leases and the rental charges are charged to the Consolidated Income Statement on a straight line basis over the life of the lease.

Legal fees and other costs associated with the acquisition of a leasehold interest are capitalised as other receivables within non-current assets. These costs are amortised over the life of the lease.

Lease incentives are credited to the Consolidated Income Statement on a straight line basis over the life of the lease.

III. Depreciation

Depreciation is charged to the Consolidated Income Statement over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful economic lives are as follows:

• Long leasehold properties	2% per annum on a straight line basis
• Improvements to short leasehold properties	life of lease on a straight line basis
• Computer equipment	3 - 6 years on a straight line basis
• Fixtures and fittings	7 - 10 years, or length of lease if shorter, on a straight line basis
• Motor vehicles	25% per annum on a reducing balance basis

INTANGIBLE ASSETS

I. Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 February 2004, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 February 2004 has not been reconsidered in preparing the Group's opening EU-IFRS balance sheet at 1 February 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (CGUs) and is tested annually for impairment. The CGUs used are the store portfolios acquired through acquisitions. The recoverable amount is compared to the carrying amount of the CGU including goodwill. The recoverable amount of a CGU is determined based on value-in-use calculations.

Negative goodwill arising on an acquisition is recognised immediately in the Consolidated Income Statement.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

In the Company's accounts all investments in subsidiary undertakings are stated at cost less provisions for impairment losses.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle. Provisions are made for obsolescence, mark downs and shrinkage.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cashflows from the financial assets expire. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

TRADE RECEIVABLES
Trade receivables are recognised at fair value. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The movement in the provision is recognised in the Consolidated Income Statement.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows, as these are used as an integral part of the Group's cash management.

NET DEBT / INTEREST BEARING BORROWINGS
Net debt consists of cash and cash equivalents together with other borrowings from bank loans, other loans, loan notes, finance leases and similar hire purchase contracts.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Following the initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

TRADE AND OTHER PAYABLES
Trade and other payables are non-interest bearing and are stated at fair value.

FOREIGN CURRENCY TRANSLATION
Transactions denominated in foreign currencies are translated into sterling at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange at the balance sheet date. Exchange differences in monetary items are recognised in the Consolidated Income Statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

DERIVATIVE FINANCIAL INSTRUMENTS
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Following initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Interest rate swaps are recognised at fair value in the balance sheet with movements in fair value recognised in the Consolidated Income Statement for the period. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the respective risk profiles of the swap counterparties.

HEDGING

I. Cash flow hedges
Changes in the effective portion of the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement where relevant. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a liability then, at the time it is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement. For hedges that result in the recognition of a financial asset or liability, amounts deferred in equity are recognised in the Consolidated Income Statement in the same period in which the hedged item affects net profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Consolidated Income Statement.

II. Hedge of monetary assets and liabilities
Where a derivative financial instrument is used to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the Consolidated Income Statement.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

PROVISIONS
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably

Within the onerous lease provision, management have provided against the minimum cost of exit for stores sublet at a shortfall, vacant stores and for loss making trading stores where the position is considered to be irrecoverable. The provision is based on the value of future cash outflows.

REVENUE
Revenue represents the amounts receivable by the Group for goods supplied to customers net of discounts, returns and VAT.

EXCEPTIONAL ITEMS
Items that are material in size, unusual and infrequent in nature are included within operating profit and disclosed separately as exceptional items in the Consolidated Income Statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the Consolidated Income Statement, helps provide an indication of the Group's underlying business performance. The principal items which will be included as exceptional items are:

- (Profits)/losses on the disposal of non-current assets.
- Provisions for rentals on onerous property leases.
- Impairments of property, plant and equipment.
- Impairments of non-current other receivables.
- Impairments of intangible assets.
- The costs of significant restructuring and incremental integration costs following acquisition.

FINANCIAL INCOME
Financial income comprises interest receivable on funds invested. Financial income is recognised in the Consolidated Income Statement on an effective interest method.

FINANCIAL EXPENSES
Financial expenses comprise interest payable on interest-bearing loans and borrowings. Financial expenses are recognised in the Consolidated Income Statement on an effective interest method.

INCOME TAX EXPENSE
Tax on the profit or loss for the year comprises current and deferred tax.

I. Current income tax
Current income tax expense is calculated using the tax rates which have been enacted or substantively enacted by the balance sheet date, adjusted for any tax paid in respect of prior years.

II. Deferred taxation
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- Goodwill not deductible for tax purposes.
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

IMPAIRMENT
The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed annually to determine whether there is any indication of impairment. An impairment review is performed on individual cash generating units (CGUs) being individual stores or a collection of stores where the cash flows are not independent. If any such impairment exists then the asset's recoverable amount is estimated. Impairment losses are recognised in the Consolidated Income Statement.

Impairment losses in respect of goodwill are not reversed.

PENSIONS
The Group operates defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds. Obligations for contributions to the defined contribution schemes are recognised as an expense in the Consolidated Income Statement when incurred.

SHARE BASED PAYMENTS
A share option scheme was in place up to 11 May 2005, at which point all options crystallised following the acquisition of the Group by Pentland Group Plc. The following accounting policy was applied up to this point.

The share option programme allowed Group employees to acquire shares of the Company. The fair values of the share options granted were recognised as an employee expense with a corresponding increase in equity. The fair values were measured at grant data, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and were spread over the period during which the employees became unconditionally entitled to the options. The amount recognised as an expense was adjusted to reflect the actual number of share options that vest except where forfetiture was only due to share prices not achieving the threshold for vesting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of financial statements in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

I. Impairment of goodwill
The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates.

II. Impairment of assets
Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or a cash generating unit is not recoverable. The carrying value is determined based on their fair value as supported by a management valuation less costs to sell.

III. Provisions to write inventories down to net realisable value
The Group makes provisions for obsolescence, mark downs and shrinkage based on historical experiences and management estimates of future events. Actual outcomes could vary significantly from these estimates.

IV. Onerous property lease provisions
The Group makes a provision for onerous property leases on specific stores based on the anticipated future cash outflows relating to minimum cost of exit. In making this provision, management have taken into account the estimated time to dispose of a property where a reasonable estimate can be made. This estimation is based on historical experience and knowledge of the retail property market in the area around each specific property.

2. SEGMENTAL ANALYSIS

The Group manages its business activities through two Divisions - Sport and Fashion. Each Division has its own executive board responsible for managing day-to-day operations through its trading outlets. Revenue and costs are readily identifiable for each segment, for the 52 weeks ended 27 January 2007.

The Divisional results for the 52 weeks to 27 January 2007 are as follows:

INCOME STATEMENT	Sport £000	Fashion £000	Total £000
Revenue	492,833	37,748	530,581
Operating profit/(loss) before financing and exceptional items	29,658	(2,357)	27,301
Exceptional items	(4,786)	(3,013)	(7,799)
Operating profit/(loss)	24,872	(5,370)	19,502
Financial income			177
Financial expenses			(2,412)
Profit before tax			17,267
Income tax expense			(6,879)
Profit for the year			10,388

The Board consider that net funding costs and income tax are cross divisional in nature and cannot be allocated between the Divisions on a meaningful basis.

BALANCE SHEET	Sport £000	Fashion £000	Unallocated £000	Total £000
Total assets	110,792	14,253	15,900	140,945
Total liabilities	(54,650)	(19,645)	(5,048)	(79,343)

Unallocated assets and liabilities relate to items which are cross divisional including tax, elements of goodwill and net debt.

OTHER SEGMENT INFORMATION	Sport £000	Fashion £000	Total £000
Capital expenditure:			
Property, plant and equipment	11,045	2,620	13,665
Non-current other receivables	339	95	434
Goodwill on acquisition	4,045	-	4,045
Depreciation, amortisation and impairments:			
Depreciation	10,213	1,238	11,451
Amortisation of non-current other receivables	412	25	437
Impairments of intangible assets	2,000	2,000	4,000
Impairments of property, plant and equipment	840	642	1,482

2. SEGMENTAL ANALYSIS (CONTINUED)

The comparative divisional results for the 52 weeks to 28 January 2006 are as follows:

INCOME STATEMENT	Sport £000	Fashion £000	Total £000
Revenue	448,884	41,404	490,288
Operating profit/(loss) before financing and exceptional items	22,659	(2,538)	20,121
Exceptional items	(8,716)	(4,267)	(12,983)
Operating profit/(loss)	13,943	(6,805)	7,138
Financial income			230
Financial expenses			(3,718)
Profit before tax			3,650
Income tax expense			(1,302)
Profit for the year			2,348

The Board consider that net funding costs and income tax are cross divisional in nature and cannot be allocated between the Divisions on a meaningful basis.

BALANCE SHEET (Restated)	Sport £000	Fashion £000	Unallocated £000	Total £000
Total assets	114,262	15,336	22,253	151,851
Total liabilities	(54,103)	(19,490)	(23,665)	(97,258)

Unallocated assets and liabilities relate to items which are cross divisional including tax, goodwill and net debt.

OTHER SEGMENT INFORMATION	Sport £000	Fashion £000	Unallocated £000	Total £000
Capital expenditure:				
Property, plant and equipment	4,786	1,780	-	6,566
Non-current other receivables	192	69	-	261
Goodwill on acquisition (restated)	-	-	924	924
Depreciation, amortisation and impairments:				
Depreciation	9,121	1,115	-	10,236
Amortisation of non-current other receivables	363	33	-	396
Impairments of property, plant and equipment	1,605	1,567	-	3,172
Impairments of non-current other receivables	23	11	-	34

The operations and assets of the Group are located almost entirely in the United Kingdom. Accordingly, no geographical analysis is presented.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. PROFIT BEFORE TAX

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
PROFIT BEFORE TAX IS STATED		
after charging:		
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**75**	70
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**15**	10
Other services pursuant to legislation	**20**	20
Tax services	**54**	66
All other services	**22**	10
Depreciation and other amounts written off property, plant and equipment:		
Owned	**11,272**	10,029
Held under finance lease and similar hire purchase contracts	**179**	207
Impairments of property, plant and equipment (see note 4)	**1,482**	3,172
Impairments of intangible assets (see note 4)	**4,000**	-
Amortisation and other amounts written off non-current other receivables:		
Owned	**437**	396
Impairments of non-current other receivables (see note 4)	**-**	34
Rentals payable under non-cancellable operating leases for:		
Land and buildings	**63,579**	58,628
Other - plant and equipment	**988**	979
Rentals payable to the Administrator to occupy Allsports properties	**2,402**	3,624
Provision to write down inventories to net realisable value	**4,916**	919
Foreign exchange losses recognised	**28**	-
after crediting other operating income:		
Rents receivable and other income from property	**1,730**	1,609

In addition, fees of £30,000 (2006: £30,000) were incurred and paid by Pentland Group Plc (see note 30) in relation to the non-coterminous audit of the Group for the purpose of inclusion in their consolidated financial statements.

Non-current other receivables comprises legal fees and other costs associated with the acquisition of leasehold interests.

4. EXCEPTIONAL ITEMS

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Profit on disposal of non-current assets	**(1,491)**	(676)
Provision for rentals on onerous property leases (see note 21)	**1,558**	6,954
Impairment of property, plant and equipment (see note 12)	**1,482**	3,172
Impairment of other non-current receivables (see note 13)	**-**	34
Lease variation costs (i)	**2,250**	1,722
Selling and distribution expenses - exceptional	**3,799**	11,206
Impairments of intangible assets (see note 11)	**4,000**	-
Allsports restructuring costs (ii)	**-**	1,777
Administrative expenses - exceptional	**4,000**	1,777
	7,799	12,983

(i) Lease variation costs represent the costs of varying an onerous lease to create a break option.
(ii) The Allsports restructuring costs in the prior year were principally redundancy and store and warehouse related closure costs.

5. REMUNERATION OF DIRECTORS

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Directors' emoluments:		
As non-executive directors	**58**	75
As executive directors	**3,154**	1,081
Pension contributions	**32**	32
	3,244	1,188

The remuneration of the executive directors includes special bonuses totalling £2,000,000 (2006: £nil). Further information on directors' emoluments is shown in the Directors' Report on Remuneration and Related Matters on page 34.

6. STAFF NUMBERS AND COSTS

GROUP

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

	Number of employees **2007**	2006
Sales and distribution	**8,678**	8,531
Administration	**246**	246
	8,924	8,777
Full time equivalents	**4,841**	4,942

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

6. STAFF NUMBERS AND COSTS (CONTINUED)

The aggregate payroll costs of these persons were as follows:

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Wages and salaries	**76,247**	69,245
Social security costs	**4,703**	4,450
Other pension costs (see note 27)	**300**	297
	81,250	73,992

In the opinion of the Board, the key management as defined under IAS24 'Related Party Disclosures' are the five executive and non-executive Directors (2006: seven). Full disclosure of the directors' remuneration is given in the Directors' Report on Remuneration and Related Matters on page 34.

COMPANY

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

	Number of employees **2007**	2006
Sales and distribution	**8,392**	8,275
Administration	**231**	231
	8,623	8,506
Full time equivalents	**4,677**	4,789

The aggregate payroll costs of these persons were as follows:

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Wages and salaries	**70,464**	67,014
Social security costs	**4,530**	4,307
Other pension costs	**299**	297
	75,293	71,618

7. FINANCIAL INCOME

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Bank interest	**139**	136
Other interest	**38**	94
	177	230

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

8. FINANCIAL EXPENSES

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
On bank loans and overdrafts	**2,364**	3,537
Finance charges payable in respect of finance lease and similar hire purchase contracts	**42**	107
Other loans	**6**	74
	2,412	3,718

9. INCOME TAX EXPENSE

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Current tax		
UK corporation tax at 30% (2006: 30%)	**6,637**	(182)
Adjustment relating to prior periods	**288**	(130)
Total current tax charge/(credit)	**6,925**	(312)
Deferred tax		
Deferred tax (origination and reversal of temporary differences)	**641**	1,633
Adjustment relating to prior periods	**(687)**	(19)
Total deferred tax (credit)/charge (see note 22)	**(46)**	1,614
Income tax expense	**6,879**	1,302

RECONCILIATION OF INCOME TAX EXPENSE

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Profit before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	**5,180**	1,095
Effects of:		
Expenses not deductible	**364**	162
Income not taxable	**(28)**	(49)
Depreciation on non qualifying property, plant and equipment	**1,090**	638
Amortisation on non qualifying non-current other receivables	**-**	132
Loss/(profit) on disposal of non qualifying non-current assets	**141**	(272)
Non qualifying impairment of investment (see note 14)	**600**	-
Exercise of share options	**-**	(83)
Other differences	**(69)**	(172)
Adjustments to tax charge in respect of earlier periods	**(399)**	(149)
Income tax expense	**6,879**	1,302

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

10. EARNINGS PER ORDINARY SHARE

BASIC EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 27 January 2007 is based on the profit for the period attributable to equity holders of the parent of £10,388,000 (2006: £2,348,000) and a weighted average number of ordinary shares outstanding during the 52 weeks ended 27 January 2007 of 48,263,434 (2006: 47,721,276), calculated as follows:

	52 weeks to 27 January 2007	52 weeks to 28 January 2006
Issued ordinary shares at beginning of period	**48,263,434**	47,276,628
Effect of shares issued during the period	**-**	444,648
Weighted average number of ordinary shares during the period	**48,263,434**	47,721,276

DILUTED EARNINGS PER ORDINARY SHARE

The calculation of diluted earnings per ordinary share at 27 January 2007 is based on the profit for the period attributable to equity holders of the parent of £10,388,000 (2006: £2,348,000) and a weighted average number of ordinary shares outstanding during the 52 weeks ended 27 January 2007 of 48,263,434 (2006: 47,721,276), calculated as follows:

	52 weeks to 27 January 2007	52 weeks to 28 January 2006
Weighted average number of ordinary shares during the period	**48,263,434**	47,721,276
Dilutive effect of outstanding share options	**-**	-
Weighted average number of ordinary shares (diluted) during the period	**48,263,434**	47,721,276

ADJUSTED BASIC EARNINGS PER ORDINARY SHARE

Adjusted basic earnings per ordinary share has been based on the profit for the period attributable to equity holders of the parent for each financial period but excluding the post tax effect of certain exceptional items. The Directors consider that this gives a more meaningful measure of the underlying performance of the Group.

	Note	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Profit for the period attributable to equity holders of the parent		**10,388**	2,348
Exceptional items excluding profit on disposal of non-current assets	4	**9,290**	13,659
Tax relating to exceptional items		**(2,107)**	(3,925)
Profit for the period attributable to equity holders of the parent excluding exceptional items		**17,571**	12,082
Adjusted basic earnings per ordinary share		**36.41p**	25.32p

11. INTANGIBLE ASSETS

	GOODWILL	
	GROUP £000	*COMPANY* £000
COST OR VALUATION		
At 29 January 2005	20,800	14,976
Acquisitions	2,174	2,174
At 28 January 2006 (as previously reported)	22,974	17,150
Restatement	(1,250)	(1,250)
At 28 January 2006 (restated)	21,724	15,900
Acquisitions	4,045	4,045
At 27 January 2007	25,769	19,945
AMORTISATION		
At 29 January 2005 and 28 January 2006	1,207	-
Impairment for the period	4,000	2,000
At 27 January 2007	5,207	2,000
Net book value at 27 January 2007	**20,562**	**17,945**
Net book value at 28 January 2006 (restated)	20,517	15,900
Net book value at 29 January 2005	19,593	14,976

On 23 June 2006, the Group acquired the trade and certain assets of 14 stores in Airport locations from Hargreaves (Sports) Limited for a cash consideration of £5,000,000. The goodwill calculation is summarised below:

	Book value at 23 June 2006 £000	Fair value adjustment £000	Book and fair value at 27 January 2007 £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	520	(147)	373
Inventories	600	-	600
Cash and cash equivalents	2	-	2
Trade and other payables	-	(20)	(20)
Net identifiable assets/(liabilities)	1,122	(167)	955
Goodwill capitalised	3,878	167	4,045
Consideration paid - satisfied in cash	5,000	-	5,000

The stores which were acquired currently trade under the legacy fascias with the names owned by other third party companies. It is the Group's intention to convert most of these stores to other pre existing Group fascias. Accordingly, the Board consider that no business names or trademarks were acquired in this transaction. The individual store concession agreements give the Company the right to trade in a particular airport but not a specific site within that airport and so, accordingly, the Board believe that no interest in land has been acquired.

11. INTANGIBLE ASSETS (CONTINUED)

The Board believe that the excess of consideration over net identifiable assets acquired is best considered as goodwill on acquisition representing the value that the Company was willing to pay to gain access to the non-contractual customer base in the Airport market arena. The £4,045,000 initial goodwill arising from this trade and asset purchase has been impaired by £2,000,000 to reflect disappointing trade since acquisition.

In accordance with IFRS3 'Business Combinations', the initial accounting on this acquisition will be completed within 12 months of the acquisition.

In the period after acquisition to 27 January 2007 the stores generated revenue of £6,984,000 and an operating profit of £728,000.

ACQUISITIONS

On 28 October 2005 the Group acquired the trade and certain assets of Allsports Retail Limited (in administration) initially for a cash consideration of £14,153,000 together with associated fees of £867,000. The initial consideration of £14,153,000 (before fees) was provisional with the ultimate price dependent on the success of the Administrator in realising the remaining assets of Allsports Retail Limited (in administration). Subsequently, £500,000 of consideration has been refunded.

Effect of acquisition

The fair values are summarised below:

	Book and fair value at 28 January 2006 £000	Fair value adjustment £000	Book and fair value at 27 January 2007 £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	3,290	(160)	3,130
Inventories	12,178	718	12,896
Cash and cash equivalents	3	-	3
Trade and other payables	(2,625)	192	(2,433)
Net identifiable assets	12,846	750	13,596
Goodwill on acquisition	2,174	(1,250)	924
Consideration paid - satisfied in cash	15,020	(500)	14,520

Given the conversion of the Allsports stores to other pre-existing Group fascias, the Board believe that there is no value in the Allsports name. Accordingly, the excess of consideration over net identifiable assets acquired is best considered as goodwill on acquisition constituting customer loyalty and employee expertise.

IMPAIRMENT TESTS FOR CASH GENERATING UNITS CONTAINING GOODWILL

Goodwill is allocated to the Group's cash generating units (CGUs) and tested annually for impairment. The CGUs used are the store portfolios acquired through acquisitions. The recoverable amount is compared to the carrying amount of the CGU including goodwill. The recoverable amount of a CGU is determined based on value-in-use calculations. The CGUs for which the carrying amount of goodwill is deemed significant are shown below:

	GROUP		*COMPANY*	
	2007 £000	2006 £000 Restated	**2007 £000**	2006 £000 Restated
Hargreaves airports store portfolio	**2,045**	-	**2,045**	-
Allsports store portfolio	**924**	924	**924**	924
RD Scott store portfolio	**2,617**	4,617	**-**	-
First Sport store portfolio	**14,976**	14,976	**14,976**	14,976
	20,562	20,517	**17,945**	15,900

11. INTANGIBLE ASSETS (CONTINUED)

Based on the value-in-use calculations performed at 27 January 2007, impairment charges have been recognised in the Consolidated Income Statement as follows:

- Hargreaves airports store portfolio £2,000,000
- RD Scotts store portfolio £2,000,000

Based on the value-in-use calculations performed at 27 January 2007, impairment charges have been recognised in the individual Income Statement of the Company as follows:

- Hargreaves airports store portfolio £2,000,000

The key assumptions used for value-in-use calculations are set out below:

- In relation to the Allsports store portfolio, RD Scott store portfolio and First Sport store portfolio, the cash flow projections are based on actual operating results, together with financial forecasts and strategy plans approved by the Board covering a five year period. These forecasts and plans are based on both past performance and expectations for future market development. Cash flows beyond this five year period are extrapolated using a growth rate of 2.0% (2006: 2.0%) which is a prudent estimate of the growth based on past experience.
- In relation to the Hargreaves airports store portfolio, the cash flow projections are based on actual operating results together with financial forecasts and strategy plans for individual stores for the periods to the end of the individual concession agreements. No assumption has been made on agreements being extended except where those extensions were agreed before 27 January 2007.
- The discount rate of 9.0% (2006: 9.0%) is pre-tax and reflects the specific risks and costs of capital of the Group.
- The Board believe that any foreseeable possible change in these assumptions would not cause the aggregate carrying amount to exceed the recoverable amount.

Impairment charges have been recognised where the aggregated value-in-use of the acquired store portfolio is lower than the combined total of the non-current assets in that store portfolio. Consequently, impairment charges are generated as a result of a realised or anticipated deterioration in the performance of the acquired store portfolio as a whole.

In accordance with paragraph 62 of IFRS3 'Business Combinations' the initial accounting on the Hargreaves store portfolio goodwill will be completed within twelve months of the acquisition date and a full impairment test will be performed at that time.

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Long leasehold properties £000	Improvements to short leasehold properties £000	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
COST						
At 29 January 2005	4,447	17,030	10,487	84,749	952	117,665
Additions	-	400	1,121	5,045	-	6,566
Disposals	(2)	(1,437)	(2,350)	(5,185)	(397)	(9,371)
On acquisition of trade and assets	-	290	-	3,000	-	3,290
At 28 January 2006 (as previously reported)	4,445	16,283	9,258	87,609	555	118,150
Restatement (see note 11)	-	-	-	(160)	-	(160)
At 28 January 2006 (restated)	4,445	16,283	9,258	87,449	555	117,990
Additions	-	475	1,528	11,634	28	13,665
Disposals	(4,445)	(2,962)	(2,502)	(16,256)	(344)	(26,509)
On acquisition of trade and assets	-	-	-	373	-	373
At 27 January 2007	-	13,796	8,284	83,200	239	105,519
DEPRECIATION AND IMPAIRMENT						
At 29 January 2005	597	10,223	7,390	45,517	466	64,193
Charge for period	89	778	1,426	7,840	103	10,236
Impairments	-	937	84	2,151	-	3,172
Disposals	(1)	(1,299)	(2,332)	(4,760)	(259)	(8,651)
At 28 January 2006	685	10,639	6,568	50,748	310	68,950
Charge for period	73	957	1,451	8,923	47	11,451
Impairments	-	111	4	1,367	-	1,482
Disposals	(758)	(2,936)	(2,391)	(11,979)	(219)	(18,283)
At 27 January 2007	-	8,771	5,632	49,059	138	63,600
NET BOOK VALUE						
At 27 January 2007	**-**	**5,025**	**2,652**	**34,141**	**101**	**41,919**
At 28 January 2006 (restated)	3,760	5,644	2,690	36,701	245	49,040
At 29 January 2005	3,850	6,807	3,097	39,232	486	53,472

Included in the net book value of computer equipment is £91,000 (2006: £122,000), fixtures and fittings £735,000 (2006: £987,000) and motor vehicles £1,000 (2006: £3,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £35,000 (2006: £44,000), £142,000 (2006: £162,000) and £2,000 (2006: £1,000), respectively. The maturity of obligations under finance lease and similar hire purchase contracts is included in note 18.

Impairment charges of £1,482,000 (2006: £3,172,000) relate to all classes of property, plant and equipment in cash generating units which are loss making and where it is considered that the position can not be recovered as a result of a continuing deterioration in the performance in the particular store. The cash generating units represent individual stores, or a collection of stores where the cash flows are not independent, with the loss based on the specific revenue streams and costs attributable to those cash generating units. No allocation of central overhead has been made in calculating this profit/(loss). Assets in impaired stores are written down fully except where a reasonable estimate may be made of their recoverable value, calculated by reference to their fair value as supported by a management valuation less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Long leasehold properties £000	Improvements to short leasehold properties £000	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
COST						
At 29 January 2005	4,447	16,997	10,231	82,786	947	115,408
Additions	-	368	902	3,581	-	4,851
Disposals	(2)	(1,425)	(2,339)	(5,021)	(388)	(9,175)
On acquisition of trade and assets	-	290	-	3,000	-	3,290
At 28 January 2006 (as previously reported)	4,445	16,230	8,794	84,346	559	114,374
Restatement (see note 11)	-	-	-	(160)	-	(160)
At 28 January 2006 (restated)	4,445	16,230	8,794	84,186	559	114,214
Additions	-	247	1,414	9,374	11	11,046
Disposals	(4,445)	(2,955)	(2,437)	(15,212)	(329)	(25,378)
On acquisition of trade and assets	-	-	-	373	-	373
Transfers to other group companies	-	(723)	(96)	(3,047)	-	(3,866)
At 27 January 2007	-	12,799	7,675	75,674	241	96,389
DEPRECIATION AND IMPAIRMENT						
At 29 January 2005	597	10,222	7,379	45,463	465	64,126
Charge for period	90	889	1,298	7,337	101	9,715
Impairments	-	937	84	2,151	-	3,172
Disposals	(2)	(1,298)	(2,322)	(4,593)	(249)	(8,464)
At 28 January 2006	685	10,750	6,439	50,358	317	68,549
Charge for period	73	933	1,355	8,414	43	10,818
Impairments	-	55	4	783	-	842
Disposals	(758)	(2,902)	(2,335)	(11,062)	(211)	(17,268)
Transfers to other group companies	-	(688)	(79)	(2,524)	-	(3,291)
At 27 January 2007	-	8,148	5,384	45,969	149	59,650
NET BOOK VALUE						
At 27 January 2007	**-**	**4,651**	**2,291**	**29,705**	**92**	**36,739**
At 28 January 2006 (restated)	3,760	5,480	2,355	33,828	242	45,665
At 29 January 2005	3,850	6,775	2,852	37,323	482	51,282

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

13. OTHER NON-CURRENT RECEIVABLES

	GROUP		COMPANY	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Other receivables	**2,753**	2,515	**2,592**	2,473

Other receivables represent lease premia, legal fees and other costs associated with the acquisition of leasehold interests.

Impairment losses of £nil (2006: £34,000) have been recognised on specific cash generating units which are loss making. The methodology behind identifying loss making cash generating units is explained in note 12.

14. INVESTMENTS

COMPANY	Investments £000
COST AND NET BOOK VALUE	
At 29 January 2005 and 28 January 2006	4,470
Additions	1,000
Impairments	(2,000)
At 27 January 2007	**3,470**

The investment represents the total consideration for the acquisition of 100% of the issued ordinary share capital of RD Scott Limited. The addition to the investment in the year arose as a result of the Company subscribing for 500 £1 ordinary shares for a total consideration of £1,000,000. The investment subsequently has been impaired at 27 January 2007 to its fair value as supported by a management valuation.

15. INVENTORIES

	GROUP		COMPANY	
	2007 £000	2006 £000 Restated	**2007 £000**	2006 £000 Restated
Finished goods and goods for resale	**51,469**	56,168	**47,109**	51,171

The cost of inventories recognised as expenses and included in cost of sales for the 52 weeks ended 27 January 2007 was £280,078,000 (2006: £270,945,000).

16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2007 £000	2006 £000 Restated	**2007 £000**	2006 £000 Restated
CURRENT ASSETS				
Trade receivables	**477**	194	**477**	194
Other receivables	**86**	2,008	**-**	2,000
Prepayments and accrued income	**12,449**	10,337	**10,610**	9,584
Amounts owed by other Group companies	**-**	-	**11,238**	11,482
	13,012	12,539	**22,325**	23,260

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Board consider that the carrying amount of trade and other receivables approximate their fair value. In addition, concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Therefore, no further credit risk provision is required in excess of the normal provision for doubtful receivables. At 27 January 2007, this provision was £6,000 (28 January 2006: £72,000).

Included within prepayments and accrued income for the Group and Company is £259,000 (2006: £nil) in relation to deferred costs incurred in setting up the new bank facility (see note 18).

17. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Bank balances and cash floats	**11,230**	9,336	**11,425**	8,197

18. INTEREST BEARING LOANS AND BORROWINGS

	GROUP		COMPANY	
	2007 £000	2006 £000	**2007 £000**	2006 £000
CURRENT LIABILITIES				
Bank loans	**-**	12,000	**-**	12,000
Obligations under finance leases and similar hire purchase contracts	**11**	178	**-**	-
Loan notes	**95**	-	**95**	-
	106	12,178	**95**	12,000
NON-CURRENT LIABILITIES				
Bank loans	**-**	10,000	**-**	10,000
Obligations under finance leases and similar hire purchase contracts	**-**	118	**-**	-
Loan notes	**192**	287	**192**	287
	192	10,405	**192**	10,287

The following note provides information about the contractual terms of the Group and Company's interest bearing loans and borrowings.

For more information about the Group and Company's exposure to interest rate risk, see note 19.

INTEREST BEARING LOANS AND OVERDRAFTS

The interest bearing loans and overdrafts due for repayment mature as follows:

	GROUP		COMPANY	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Interest bearing loans and overdrafts				
Within one year	**-**	12,000	**-**	12,000
Between one and two years	**-**	10,000	**-**	10,000
Between two and five years	**-**	-	**-**	-
	-	22,000	**-**	22,000

The Group has total interest bearing loans and overdrafts outstanding of £nil (2006: £22,000,000).

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

18. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

RENEGOTIATION OF BANK FACILITIES

The Group has renegotiated its bank facilities in the year. As a result, the Group now has a £70,000,000 revolving facility which expires on 18 October 2011. Under this facility, a maximum of 10 drawdowns may be outstanding at any time with drawdowns made for a period of one, two, three or six months with interest currently payable at a rate of LIBOR plus a margin of 0.95%. The commitment fee on the undrawn facility is 45% of the margin rate on the facility.

At 28 January 2007, there were no drawdowns outstanding on this facility.

FINANCE LEASES AND SIMILAR HIRE PURCHASE CONTRACTS

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

	GROUP		COMPANY	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Within one year	**11**	178	**-**	-
Between one and five years	**-**	118	**-**	-
	11	296	**-**	-

Amounts owed under finance leases and similar hire purchase contracts are secured on the assets to which they relate with interest charged at rates of 9% to 19%. All of these agreements were entered into by RD Scott Limited prior to their acquisition by the Company on 15 December 2004.

Future minimum lease payments under finance leases and similar hire purchase contracts together with the value of the principle are as follows:

GROUP	Minimum lease payments 2007 £000	Interest 2007 £000	Principal 2007 £000	Minimum lease payments 2006 £000	Interest 2006 £000	Principal 2006 £000
Within one year	12	(1)	11	217	(39)	178
Between one and five years	-	-	-	138	(20)	118
	12	(1)	11	355	(59)	296

No new finance leases or similar hire purchase contracts were entered into in the period.

LOAN NOTES

The maturity of the loan notes is as follows:

	GROUP		COMPANY	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Within one year	**95**	-	**95**	-
Between one and two years	**96**	95	**96**	95
Between two and five years	**96**	192	**96**	192
	287	287	**287**	287

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

19. FINANCIAL INSTRUMENTS

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.

GROUP	2007 £000	2006 £000
Bank balances and cash floats	**11,230**	9,336
The currency profile of financial assets was:		
Sterling	**10,523**	7,959
Euros	**464**	514
US Dollars	**243**	863
	11,230	9,336

COMPANY	2007 £000	2006 £000
Bank balances and cash floats	**11,425**	8,197
The currency profile of financial assets was:		
Sterling	**10,718**	6,820
Euros	**464**	514
US Dollars	**243**	863
	11,425	8,197

FINANCIAL LIABILITIES

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

	2007 £000	2006 £000
Bank floating rate financial liabilities swapped to fixed rate	**-**	22,000
Weighted average interest rate at end of the period	**-**	6.9%

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 floating interest rates and legacy swap instruments, which it reviews on a regular basis. The weighted average period to maturity for the borrowings is £nil (2006: 1.3 years).

INTEREST RATE SWAP ON BANK FIXED RATE FINANCIAL LIABILITIES

The Group renegotiated its bank facilities in the year. The previous facility, which was due to expire on 3 May 2007, included an interest rate swap, denominated in pounds sterling, to protect the maximum interest expense to which the Group was exposed. This swap enabled the Group to swap a floating rate liability in the bank term loan, which was linked to LIBOR, to a fixed rate liability with interest payable at 5.55% plus a margin of 1.38%. Although the facility which this swap related to has now been replaced, the legacy interest rate swap has been kept. As at 27 January 2007, this swap would have protected borrowings of £6,000,000 (2006: £22,000,000) which is what the debt balance would have been under the previous facility. This swap expires on 3 May 2007.

The Board regularly reviews the interest rate risk of the Group although given that the facility is not drawndown at certain times of the year it does not consider that an interest rate swap on the new floating rate facility is necessary at this time.

The net fair value of swap liabilities at 27 January 2007 was £5,000 (28 January 2006: £166,000).

In the opinion of the Board, the fair value of the Groups financial assets and liabilities as at 27 January 2007 and 28 January 2006 are not considered materially different to that of the book value. On this basis, the carrying amounts have not been adjusted for the fair values.

19. FINANCIAL INSTRUMENTS (CONTINUED)

BANK FLOATING RATE FINANCIAL LIABILITIES

Following the renegotiation of the bank facilities in the year, the Group now only has potential bank floating rate financial liabilities although there were no drawdowns from this facility at 27 January 2007. When drawdowns are made, the Group is exposed to cash flow interest risk with interest paid on its bank floating rate liabilities at a rate of LIBOR plus a margin of 0.95% (2006: 1.38%).

FINANCE LEASES AND SIMILAR HIRE PURCHASE CONTRACTS

The Group pays interest on its finance leases and similar hire purchase contracts at market interest rates. Although the rates vary between agreements, the rates on each individual agreement are fixed for the whole term with the interest range being between 9% to 19% (see note 18).

FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than pound sterling. The currencies giving rise to this risk are the Euro and U.S. Dollar with sales made in Euros and purchases made in both Euros and U.S. Dollars (principal exposure). To protect its foreign currency position, the Group sets a buying rate for the purchase of goods in U.S. Dollars at the start of the buying season (typically six to nine months before the product actually starts to appear in the stores) and then enters into a number of Euro/Dollar options whereby the minimum exchange rate on the sale of Euros to buy dollars is guaranteed.

As at 27 January 2007, options have been entered into to protect approximately 70% of the U.S. Dollar requirement for the period to July 2007 which represents the end of the spring/summer buying season. The balance of the U.S. Dollar requirement for the spring/summer buying season will be satisfied at spot rates.

As of 27 January 2007, the fair value of these instruments was a liability of £40,000 which has been included within current trade and other payables.

BORROWING FACILITIES

In addition, there are undrawn committed facilities with a maturity profile as follows. The commitment fee on these facilities is 0.43% (2006: 0.69%).

	2007 £000	2006 £000
Expiring within one year	**-**	-
Expiring in more than one year but no more than two years	**-**	40,000
Expiring in more than two years but no more than three years	**-**	-
Expiring in more than three years but no more than four years	**-**	-
Expiring in more than four years but no more than five years	**70,000**	-
	70,000	40,000

FAIR VALUES

The fair values together with the carrying amounts shown in the balance sheet are as follows:

		GROUP		COMPANY	
	Note	Carrying amount 2007 £000	Fair value 2007 £000	Carrying amount 2007 £000	Fair value 2007 £000
Trade and other receivables	16	13,012	13,012	22,325	22,325
Cash and cash equivalents	17	11,230	11,230	11,425	11,425
Finance lease and similar hire purchase contracts	18	(11)	(11)	-	-
Loan notes	18	(287)	(257)	(287)	(257)
Unsecured bank loan	18	-	-	-	-
Interest rate swap liabilities		-	(5)	-	(5)
Trade and other payables - current	20	(58,849)	(58,849)	(54,838)	(54,838)
Trade and other payables - non-current	20	(8,189)	(8,189)	(14,588)	(14,588)
		(43,094)	(43,069)	(35,963)	(35,938)
Unrecognised gains			25		25

19. FINANCIAL INSTRUMENTS (CONTINUED)

The comparatives at 28 January 2006 are as follows:

		GROUP		COMPANY	
	Note	Carrying amount 2006 £000 Restated	Fair value 2006 £000 Restated	Carrying amount 2006 £000 Restated	Fair value 2006 £000 Restated
Trade and other receivables	16	12,539	12,539	23,260	23,260
Cash and cash equivalents	17	9,336	9,336	8,197	8,197
Finance lease and similar hire purchase contracts	18	(296)	(338)	-	-
Loan notes	18	(287)	(241)	(287)	(241)
Unsecured bank loan	18	(22,000)	(22,000)	(22,000)	(22,000)
Interest rate swap liabilities		-	(166)	-	(166)
Trade and other payables - current	20	(56,202)	(56,202)	(51,192)	(51,192)
Trade and other payables - non-current	20	(9,299)	(9,299)	(15,883)	(15,883)
		(66,209)	(66,371)	(57,905)	(58,025)
Unrecognised losses			(162)		(120)

ESTIMATION OF FAIR VALUES

The major methods and assumptions used in estimating the fair values of financial instruments reflected in the table are as follows:

Finance lease and similar hire purchase contracts

The fair value is estimated as the present value of future cash flows, discounted at market rates for homogeneous lease agreements (7% - 10%). The estimated fair value reflects changes in interest rates.

Loan notes

The loan notes have been discounted at a rate of 5.5%.

Interest rate swap liabilities on unsecured bank loan

The fair value of the interest rate swap liabilities on the previous term loan facility is calculated on the discounted expected future interest cash flows.

Trade and other receivables/payables

For trade and other receivables/payables (as adjusted for the fair value of the foreign exchange contracts), the notional amount is deemed to reflect the fair value.

20. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2007 £000	2006 £000 Restated	**2007 £000**	2006 £000 Restated
CURRENT LIABILITIES				
Trade payables	**26,937**	27,913	**25,052**	25,013
Other payables and accrued expenses	**20,555**	18,542	**19,137**	17,428
Other tax and social security costs	**11,357**	9,747	**10,649**	8,751
	58,849	56,202	**54,838**	51,192
NON-CURRENT LIABILITIES				
Other payables and accrued expenses	**8,189**	9,299	**8,006**	9,301
Amounts payable to other group companies	**-**	-	**6,582**	6,582
	8,189	9,299	**14,588**	15,883

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

21. PROVISIONS

Provisions relate to costs on onerous property leases and represent anticipated minimum costs for rents, rates and service charges on properties that are vacant or sublet at a shortfall. The provisions cover the period until the anticipated disposal. In addition, provision is made for future rentals where the store is loss making and the position is considered to be irrecoverable. The provisions are discounted where the effect is material. The discount rate used is 9% (see note 11).

GROUP	Current £000	Non-current £000	Total £000
Balance at 28 January 2006	2,569	4,988	7,557
Provisions created during the period	2,794	934	3,728
Provisions released during the period	(1,077)	(1,093)	(2,170)
Provisions utilised during the period	(2,156)	-	(2,156)
Balance at 27 January 2007	**2,130**	**4,829**	**6,959**

COMPANY	Current £000	Non-current £000	Total £000
Balance at 28 January 2006	2,456	4,542	6,998
Provisions created during the period	1,326	1,375	2,701
Provisions released during the period	(1,072)	(615)	(1,687)
Provisions utilised during the period	(1,051)	-	(1,051)
Transfers to other group companies	(128)	(3,595)	(3,723)
Balance at 27 January 2007	**1,531**	**1,707**	**3,238**

22. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

GROUP	Assets 2007 £000	Assets 2006 £000 Restated	Liabilities 2007 £000	Liabilities 2006 £000 Restated	Net 2007 £000	Net 2006 £000 Restated
Property, plant and equipment	-	-	1,049	2,045	1,049	2,045
Chargeable gains held over/rolled over	-	-	1,160	-	1,160	-
Lease variations	(588)	(245)	-	-	(588)	(245)
Other items	-	(33)	-	-	-	(33)
General accruals	(50)	(50)	-	-	(50)	(50)
Tax losses	-	(100)	-	-	-	(100)
Tax (assets)/liabilities	(638)	(428)	2,209	2,045	1,571	1,617

22. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

MOVEMENT IN DEFERRED TAX DURING THE PERIOD

GROUP	Property, plant and equipment	Chargeable gains held over/ rolled over	Lease variations and other items	Tax losses	Total
Balance at 29 January 2005	2,635	-	(2,315)	(130)	190
Recognised in income	(542)	-	2,126	30	1,614
Other movements	-	-	(139)	-	(139)
Balance at 28 January 2006 (as previously reported)	2,093	-	(328)	(100)	1,665
Restatement (see note 11)	(48)	-	-	-	(48)
Balance at 28 January 2006 (restated)	2,045	-	(328)	(100)	1,617
Recognised in income	(996)	1,160	(310)	100	(46)
Balance at 27 January 2007	**1,049**	**1,160**	**(638)**	**-**	**1,571**

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

COMPANY	Assets 2007 £000	Assets 2006 £000 Restated	Liabilities 2007 £000	Liabilities 2006 £000 Restated	Net 2007 £000	Net 2006 £000 Restated
Property, plant and equipment	-	-	968	1,951	968	1,951
Chargeable gains held over/rolled over	-	-	1,160	-	1,160	-
Lease variations	(588)	(245)	-	-	(588)	(245)
General accruals	(50)	(50)	-	-	(50)	(50)
Tax (assets)/liabilities	(638)	(295)	2,128	1,951	1,490	1,656

MOVEMENT IN DEFERRED TAX DURING THE PERIOD

COMPANY	Property, plant and equipment	Chargeable gains held over/ rolled over	Lease variations and other items	Total
Balance at 29 January 2005	2,435	-	(2,175)	260
Recognised in income	(436)	-	1,880	1,444
Balance at 28 January 2006 (as previously stated)	1,999	-	(295)	1,704
Restatement (see note 11)	(48)	-	-	(48)
Balance at 28 January 2006 (restated)	1,951	-	(295)	1,656
Recognised in income	(983)	1,160	(343)	(166)
Balance at 27 January 2007	**968**	**1,160**	**(638)**	**1,490**

23. CAPITAL AND RESERVES

ISSUED ORDINARY SHARE CAPITAL

GROUP AND COMPANY	Number of ordinary shares thousands	Ordinary share capital £000
At 29 January 2005	47,277	2,364
Issued on a scrip dividend alternative (see note 24)	986	49
At 28 January 2006 and 27 January 2007	48,263	2,413

The total number of authorised ordinary shares was 62,150,000 (2006: 62,150,000) with a par value of 5p per share (2006: 5p per share). All issued shares are fully paid.

RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

GROUP	Ordinary share capital £000	Share premium £000	Retained earnings £000	**Total equity £000**
Balance at 29 January 2005	2,364	9,042	42,194	**53,600**
Issue of ordinary share capital	37	1,160	-	**1,197**
Total recognised income and expense	-	-	2,348	**2,348**
Dividends to shareholders (see note 24)	-	-	(3,185)	**(3,185)**
Scrip dividend alternative	12	621	-	**633**
Balance at 28 January 2006	2,413	10,823	41,357	**54,593**
Total recognised income and expense	-	-	10,388	**10,388**
Dividends to shareholders (see note 24)	-	-	(3,379)	**(3,379)**
Balance at 27 January 2007	**2,413**	**10,823**	**48,366**	**61,602**

RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

COMPANY	Ordinary share capital £000	Share premium £000	Retained earnings £000	**Total equity £000**
Balance at 29 January 2005	2,364	9,042	42,245	**53,651**
Issue of ordinary share capital	37	1,160	-	**1,197**
Total recognised income and expense	-	-	2,560	**2,560**
Dividends to shareholders (see note 24)	-	-	(3,185)	**(3,185)**
Scrip dividend alternative	12	621	-	**633**
Balance at 28 January 2006	2,413	10,823	41,620	**54,856**
Total recognised income and expense	-	-	12,210	**12,210**
Dividends to shareholders (see note 24)	-	-	(3,379)	**(3,379)**
Balance at 27 January 2007	**2,413**	**10,823**	**50,451**	**63,687**

24. DIVIDENDS

After the balance sheet date the following dividends were proposed by the Directors. The dividends were not provided for at the balance sheet date.

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
4.80p per ordinary share (2006: 4.60p)	**2,413**	2,221

DIVIDENDS ON ISSUED ORDINARY SHARE CAPITAL

	52 weeks to 27 January 2007 £000	52 weeks to 28 January 2006 £000
Final dividend of 4.60p (2006: 4.40p) per qualifying ordinary share paid in respect of prior period, but not recognised as a liability in that period	**2,221**	2,080
Interim dividend of 2.40p (2006: 2.30p) per qualifying ordinary share paid in respect of current period	**1,158**	472
Scrip dividend alternative	**-**	633
	3,379	3,185

25. SHARE BASED PAYMENTS

SHARE BASED PAYMENTS

Under the share options scheme rules for both the approved and unapproved schemes, all options crystallised on the acquisition of the Group by Pentland Group Plc on 11 May 2005. Option holders had until 30 November 2005 to exercise their remaining options. After this date, all remaining options lapsed.

The number and weighted average exercise prices of share options prior to them lapsing was as follows:

	Weighted average exercise price 2006	Number of options 2006
Outstanding at the beginning of the period	2.118p	1,443,229
Exercised during the period	(1.626p)	(736,648)
Lapsed during the period	(2.997p)	(706,581)
Outstanding at the end of the period	-	-

The weighted average share price at the date of exercise of share options exercised during the period was £nil (2006: £1.626).

26. COMMITMENTS

GROUP

(i) Capital commitments

During the period ended 27 January 2007 the Group entered into contracts to purchase property, plant and equipment as follows:

	27 January 2007 £000	28 January 2006 £000
Contracted	**2,320**	3,767

These commitments are expected to be settled in the following financial period.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

26. COMMITMENTS (CONTINUED)

(ii) Operating lease commitments

The Group leases various retail outlets, offices, warehouses, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2007 £000	Plant and equipment 2007 £000	Land and buildings 2006 £000	Plant and equipment 2006 £000
Expiring within one year	**947**	**154**	203	7
Expiring in the second to fifth year inclusive	**38,521**	**828**	21,834	1,327
Expiring over five years	**493,350**	**-**	534,348	-
	532,818	**982**	556,385	1,334

The future minimum rentals payable on land and buildings represent the base rents that are due on each property. Certain properties have rents which are partly dependent on turnover levels in the individual store concerned.

(iii) Sublease receipts

The Group subleases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The total future minimum operating sublease receipts expected to be received at 27 January 2007 are as follows:

	2007 £000	2006 £000
Expiring within one year	**-**	86
Expiring in the second to fifth year inclusive	**128**	-
Expiring over five years	**1,043**	1,344
	1,171	1,430

COMPANY

(i) Capital commitments

During the period ended 27 January 2007 the Company entered into contracts to purchase property, plant and equipment as follows:

	27 January 2007 £000	28 January 2006 £000
Contracted	**2,070**	3,767

These commitments are expected to be settled in the following financial period.

(ii) Operating lease commitments

The Company leases various retail outlets, offices, warehouses, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2007 £000	Plant and equipment 2007 £000	Land and buildings 2006 £000	Plant and equipment 2006 £000
Expiring within one year	**775**	**149**	203	7
Expiring in the second to fifth year inclusive	**33,019**	**762**	20,725	1,294
Expiring over five years	**438,879**	**-**	512,120	-
	472,673	**911**	533,048	1,301

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

26. COMMITMENTS (CONTINUED)

(iii) Sublease receipts

The Company subleases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The total future minimum operating sublease receipts expected to be received at 27 January 2007 are as follows:

	2007 £000	2006 £000
Expiring within one year	**-**	86
Expiring in the second to fifth year inclusive	**128**	-
Expiring over five years	**1,043**	1,344
	1,171	1,430

27. PENSION SCHEMES

The Group only operates defined contribution pension schemes. The pension charge for the period represents contributions payable by the Group of £268,000 (2006: £266,000) in respect of employees, and £32,000 (2006: £32,000) in respect of directors. The amount owed to the schemes at the period end was £38,000 (2006: £32,000).

28. ANALYSIS OF NET DEBT

GROUP	At 28 January 2006 £000	Cash flow £000	At 27 January 2007 £000
Bank balances and cash floats	9,336	1,894	**11,230**
CASH AND CASH EQUIVALENTS	**9,336**	**1,894**	**11,230**
Interest bearing loans and borrowings:			
Current	(12,000)	12,000	**-**
Non-current	(10,000)	10,000	**-**
Loan notes	(287)	-	**(287)**
Finance leases and similar hire purchase contracts	(296)	285	**(11)**
	(13,247)	**24,179**	**10,932**

COMPANY	At 28 January 2006 £000	Cash flow £000	At 27 January 2007 £000
Bank balances and cash floats	8,197	3,228	**11,425**
CASH AND CASH EQUIVALENTS	**8,197**	**3,228**	**11,425**
Interest bearing loans and borrowings:			
Current	(12,000)	12,000	**-**
Non-current	(10,000)	10,000	**-**
Loan notes	(287)	-	**(287)**
	(14,090)	**25,228**	**11,138**

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

29. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions and balances with related parties during the period were as follows:

RELATED PARTY - PENTLAND GROUP PLC

Following the acquisition on 11 May 2005, Pentland Group Plc owns 57% of the issued ordinary share capital of The John David Group Plc.

GROUP	Value of transactions 2007 £000	(Payable) /receivable at period end 2007 £000	Value of transactions 2006 £000	(Payable) /receivable at period end 2006 £000
Concession fee income	(504)	-	(555)	-
Purchases of inventory for retail	(26,333)	-	(15,042)	-
Other income	64	-	71	-
Payments (gross including VAT)	(29,588)	-	(16,755)	-
Receipts (gross including VAT)	76	-	76	-
Trade payables (gross including VAT)	-	(2,573)	-	(2,465)

RELATED PARTY - PENTLAND GROUP PLC

COMPANY	Value of transactions 2007 £000	(Payable) /receivable at period end 2007 £000	Value of transactions 2006 £000	(Payable) /receivable at period end 2006 £000
Concession fee income	(504)	-	(555)	-
Purchase of inventory for retail	(24,461)	-	(14,055)	-
Other income	64	-	71	-
Payments (gross including VAT)	(26,975)	-	(15,782)	-
Receipts (gross including VAT)	76	-	76	-
Trade payables (gross including VAT) -	(2,281)	-	(2,299)	

The income and purchase figures highlighted above for 2006 are based on the period post acquisition from 11 May 2005 to 28 January 2006.

Unless otherwise stated the amounts above are stated net of VAT.

RELATED PARTY - SPORTS WORLD INTERNATIONAL LIMITED

On 23 June 2006, the Company acquired the trade and certain assets of 14 stores in Airport locations from Hargreaves (Sports) Limited for a cash consideration of £5,000,000 (see note 11) which it settled in full on that day. The ultimate holding company for Hargreaves (Sports) Limited is Sports Direct International Plc which is also the ultimate holding company for Sports World International Limited which has an interest in 10.11% of the issued ordinary share capital of the Company.

RELATED PARTY - ATHLEISURE LIMITED

COMPANY	Value of transactions 2007 £000	(Payable) /receivable at period end 2007 £000	Value of transactions 2006 £000	(Payable) /receivable at period end 2006 £000
Income tax group relief	-	-	(280)	-
Amounts owed to The John David Group Plc	-	6,638	-	7,200

NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

29. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

RELATED PARTY - RD SCOTT LIMITED

COMPANY	Value of transactions 2007 £000	(Payable) /receivable at period end 2007 £000	Value of transactions 2006 £000	(Payable) /receivable at period end 2006 £000
Sale of inventory	-	-	2,831	-
Purchase of inventory	(8,360)	-	(9,152)	-
Intercompany balance capitalised into share capital	1,000	-	-	-
Store assets legally transferred to RD Scott Limited	1,709	-	-	-
Income tax group relief	134	-	224	-
Amounts owed to The John David Group Plc	-	4,600	-	4,282

On 12 October 2006, £1,000,000 of the intercompany balance due from RD Scott Limited was converted into share capital with 500 ordinary shares of £1 each allotted at this time.

On 25 November 2006, the company legally transferred the trade and assets of 25 stores to RD Scott Limited. The consideration equated to the book value of the assets at this time.

JD Sports Limited is also as subsidiary undertaking of the Company but there have been no transactions in the year and there are no balances outstanding at 27 January 2007 (2006: £nil).

30. ULTIMATE PARENT COMPANY

The Company is a subsidiary undertaking of Pentland Group Plc which is also the ultimate parent company. Pentland Group Plc is incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Pentland Group Plc. The results of Pentland Group Plc maybe obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The Company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes. The total recognised income and expense for the parent included in these consolidated financial statements is £12,210,000 (2006: £2,560,000). The consolidated financial statements of The John David Group Plc are available to the public and may be obtained from The Company Secretary, The John David Group Plc, Hollinsbrook Way, Pilsworth, Bury, BL9 8RR.

31. PRINCIPAL SUBSIDIARY UNDERTAKINGS

The following companies were the principal subsidiary undertakings of The John David Group Plc at 27 January 2007 and 28 January 2006. 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	Dormant
Allsports Retail Limited	Dormant
The Sports Shop (Fife) Limited	Dormant
Allsports.co.uk Limited	Dormant
Athleisure Limited	Investment Company
JD Sports Limited	Dormant
Jog Shop Limited	Dormant

With the exception of RD Scott Limited, Athleisure Limited and JD Sports Limited, all these holdings were indirectly held by the Parent Company at the balance sheet date.

FIVE YEAR RECORD

CONSOLIDATED INCOME STATEMENTS

	PREPARED UNDER UK GAAP			PREPARED UNDER EU-IFRS		
	10 months to 31 January 2003 £000	Year ended 31 January 2004 £000	52 weeks to 29 January 2005 £000	52 weeks to 29 January 2005 £000	52 weeks to 28 January 2006 £000	**52 weeks to 27 January 2007 £000**
REVENUE	370,804	458,073	471,656	471,656	490,288	**530,581**
Cost of sales	(202,229)	(249,379)	(256,504)	(256,504)	(263,608)	**(278,331)**
GROSS PROFIT	168,575	208,694	215,152	215,152	226,680	**252,250**
Selling and distribution expenses - normal	(141,145)	(186,117)	(185,437)	(186,230)	(192,730)	**(209,270)**
Selling and distribution expenses - exceptional	(2,933)	(1,366)	(7,987)	(8,603)	(11,206)	**(3,799)**
Selling and distribution expenses	(144,078)	(187,483)	(193,424)	(194,833)	(203,936)	**(213,069)**
Administrative expenses - normal	(10,167)	(13,503)	(13,589)	(12,777)	(15,438)	**(17,409)**
Administrative expenses - exceptional	(581)	(612)	(736)	(736)	(1,777)	**(4,000)**
Administrative expenses	(10,748)	(14,115)	(14,325)	(13,513)	(17,215)	**(21,409)**
Other operating income	333	638	953	953	1,609	**1,730**
OPERATING PROFIT	14,082	7,734	8,356	7,759	7,138	**19,502**
Before exceptional items and goodwill amortisation	18,017	10,498	17,891	17,098	20,121	**27,301**
Exceptional items	(3,514)	(1,978)	(8,723)	(9,339)	(12,983)	**(7,799)**
Goodwill amortisation	(421)	(786)	(812)	-	-	
OPERATING PROFIT	14,082	7,734	8,356	7,759	7,138	**19,502**
Loss on disposal of fixed assets	(433)	(1,095)	(1,569)	-	-	**-**
OPERATING PROFIT BEFORE FINANCING	13,649	6,639	6,787	7,759	7,138	**19,502**
Financial income	212	100	304	304	230	**177**
Financial expenses	(3,080)	(4,634)	(4,461)	(4,461)	(3,718)	**(2,412)**
PROFIT BEFORE TAX	10,781	2,105	2,630	3,602	3,650	**17,267**
Income tax expense	(4,024)	(1,457)	(1,293)	(1,341)	(1,302)	**(6,879)**
PROFIT FOR THE PERIOD	6,757	648	1,337	2,261	2,348	**10,388**
BASIC EARNINGS PER ORDINARY SHARE	14.46p	1.39p	2.85p	4.81p	4.92p	**21.52p**
ADJUSTED BASIC EARNINGS PER ORDINARY SHARE (i)	21.18p	6.21p	18.39p	18.62p	25.32p	**36.41p**
DIVIDENDS PER ORDINARY SHARE (ii)	6.50p	6.50p	6.60p	6.60p	6.90p	**7.20p**

(i) Adjusted basic earnings per ordinary share is based on earnings before certain exceptional items and goodwill amortisation (see note 10).
(ii) Represents dividends declared for the year. Under EU-IFRS dividends are only accrued when approved.

FINANCIAL CALENDAR

FINAL RESULTS ANNOUNCED	26 APRIL 2007
FINAL DIVIDEND RECORD DATE	11 MAY 2007
FINANCIAL STATEMENTS PUBLISHED	JUNE 2007
ANNUAL GENERAL MEETING	26 JULY 2007
FINAL DIVIDEND PAYABLE	30 JULY 2007
INTERIM RESULTS ANNOUNCED	26 SEPTEMBER 2007
PERIOD END (53 WEEKS)	2 FEBRUARY 2008
FINAL RESULTS ANNOUNCED	APRIL 2008

SHAREHOLDER INFORMATION

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Lloyds TSB Registrars
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The Board wishes to express its thanks to the marketing department for the in-house production of this Annual Report and Accounts.