



JJB Sports plc
Annual Report and Accounts 2011

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

JJB Sports is one of the UK's leading high street sports retailers operating from over 200 stores across the UK and Ireland. We are building JJB into a market leading sports brand by giving access to top quality products that suit the needs of all our customers, who range from spectators through to performance athletes.

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

The business has been through much change in recent years and is currently going through a major restructuring to serve the market and its customers more effectively. By striving to provide choice, excellent service and competitive pricing for our customers over the next few years and beyond, JJB will re-establish its position in the highly competitive UK sports retail market and emerge stronger.

Overview		Financial statements	
Chairman's statement	01	Independent auditor's report	35
Chief Executive's review	03	Consolidated statement of financial performance	37
Business review		Consolidated statement of comprehensive income	38
Operating review	05	Consolidated statement of changes in equity	39
Corporate responsibility	10	Consolidated statement of financial position	40
Governance		Consolidated statement of cash flow	41
Board of Directors	12	Company statement of financial position	42
Board Committees	14	Company statement of cash flow	43
Corporate Governance report	15	Statement of accounting policies	44
Directors' report	21	Notes to the Financial statements	53
Directors' Remuneration report	24	Five year summary	92
Directors' responsibilities statement	34	Corporate information	
		Corporate information	94

Overview

Chairman's statement

Mike McTighe



Since becoming Chairman in December 2010, with the support of our shareholders, bankers, key suppliers, landlords and other stakeholders and our colleagues, we avoided administration and have taken a number of significant steps to stabilise the financial position of the business and commence the turnaround of its performance.

In my time as Chairman we have completed:

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

These actions provide the management team led by Keith Jones with the opportunity to address the weaknesses in our business and effect a turnaround in its operational and financial performance.

Our strategy

The turnaround of our business will not be easy and as a consequence will take time. The focus for the remainder of 2011 is to establish a platform for future growth so we can exploit the opportunity in the UK sports retail market for an authentic multi-channel sports retailer providing footwear, apparel, sports equipment and accessories for spectators through to performance athletes nationwide. Key elements of the revised business plan include:

- > Rightsizing the store portfolio through implementation of the CVA;
- > Building on the success of the investment in the six stores transformed during 2010. We intend to continue to invest in the store portfolio through continued store and proposition development;
- > Improving the basic retail disciplines in the Company, including stock selection, buying intake management, allocation, replenishment and clearance markdown management;
- > Continuing to source new ranges including exclusive and differentiated products from all key suppliers and to develop exclusive branded products such as RUN 365 and Slazenger Golf;

- > Promoting new product and service propositions as part of a co-ordinated marketing plan;
- > Focusing on training by extending customer service and product knowledge training to all colleagues;
- > Improving the multi-channel proposition including broadening the online range by introducing online exclusives, expanding the collect@store offer, developing a mobile version of the website and exploiting catalogue opportunities, all focused on providing customers with the easiest and most convenient ways to shop; and
- > Aligning the Company's cost base and working capital investment to meet the needs of the business by exploiting opportunities for efficiencies in warehousing and distribution, stock management, store wages, sales management and the Retail Support Centre.

Progress to date and next steps

JJB's turnaround programme is now well and truly established. The Company has constructed five work streams that encompass all elements of the revised business plan and work continues on delivering measurable progress. Effective governance is also in place which feeds into both weekly reviews by the operating board and a monthly review with the Board. Achievements so far include:

- > The closure of the first 18 CVA stores and planned the next round of store refits;
- > Operationalising our plans to drive continuous improvement across the Company's basic retail disciplines, product sourcing, market planning, allocation and supply chain to forecast milestones;
- > Rolling out training to all in-store colleagues on both extending customer service and improving product knowledge on track;
- > Establishing a multi-channel programme to drive improvements in online capability, aligned to the in-store channel experience; and
- > Reducing the Company's cost base, by working systematically through identified areas of opportunity, including the Company's Retail Support Centre in Wigan.

We have already begun to realise cost savings in respect of warehousing and distribution, store wages and central overhead costs.

Overview

Chairman's statement continued

Our Board

There have been a number of changes to the Board during the year under review and subsequently. On 1 March 2010 Keith Jones joined the business as Chief Executive Officer; in Keith the Company has an extremely able and motivated leader. David Williams, our Chief Financial Officer, joined the Board in that role on 17 January 2011 replacing Lawrence Coppock who had led the financial aspects of the Company's restructuring since joining in May 2009.

Colin Tranter and Sir David Jones left the Company in March and July respectively. In addition, and as noted above, I replaced John Clare and became the Chairman of the Company on 23 December 2010. I would like to record my personal thanks to John for the contribution he made to JJB's survival during the year.

As we have previously announced Richard Manning and Alan Benzie will both leave the Board at the Company's Annual General Meeting in July 2011. Richard is our Legal & Operations Director and Company Secretary and has since January 2009 played a leading role in the restructuring and refinancing of our business, as well as establishing a robust legal and governance platform. Alan Benzie is a Non-executive Director and is chairman of the Company's Audit Committee and a member of the Remuneration and Nominations Committees. Again I would personally like to thank both Richard and Alan for their contribution to the survival of our business.

More recently, Richard Bernstein joined the Board as a Non-executive Director on 6 May 2011 following his nomination by Crystal Amber Fund and on 17 May 2011 we announced that Lawrence Christensen will join the Board as a Non-executive Director on 1 November 2011. I look forward to working with them both to help deliver JJB's turnaround strategy.

Our employees

Without the hard work and dedication of our employees we would not have been able to deliver the changes we have seen in recent months and I would like to record my thanks to all our loyal employees, who have given their full commitment to the Company through yet another challenging time.

Outlook

Since the period end, a great deal has taken place. We have delivered two further fund raisings and agreed a significant CVA with our landlords that gives your Company a real chance of recovery. However this is the beginning of the hard work and not the end.

The financial restructuring was completed on schedule by the end of April and since then the operational restructuring has progressed well. Underperforming stores have closed as part of our CVA, and headcount and operating costs have been significantly reduced. Whilst the sales environment remains challenging, Management's prudent controls mean that business performance in the first quarter has met the Board's expectations.

The fund-raising in April also provided us with the funds to refurbish our store portfolio, following the success of last year's trial. Over 150 stores are targeted for refresh or refit in the current period, with more than 50 targeted for 2012/13.

The restructuring of JJB will not be easy or quick and will most likely take three to five years. The retail environment is challenging, will remain so for some time and we face intense competition. But the work undertaken over the past six months, together with the crucial support of all our stakeholders have given JJB a chance to survive and ultimately to prosper and I look forward to working with our management team to make this happen.

Mike McTighe

Chairman
25 May 2011

Overview

Chief Executive's review

Keith Jones



In May of last year I presented my initial observations on JJB Sports and what I believed was necessary to transform the business and its performance. I summarised the issues under the headings of People, Processes and Systems and concluded that this turnaround would not be quick or easy. This certainly proved to be an accurate reflection, perhaps even an understatement, of the issues and as the year progressed the sheer scale of the challenge became more apparent with running out of cash and time becoming the biggest risk.

I have never doubted the market opportunity for an authentic multi-channel needs sports retailer providing footwear, apparel, sports equipment and accessories for spectators through to performance athletes nationwide. It is clear from all our customer research that JJB has the potential to fill this very significant gap in the market. It is also clear however that the current offer of product, service and customer experience in the majority of our stores is far from reflecting this opportunity. We have to change to meet our customers' expectations and make a clear step change that ultimately differentiates us from our competitors. This process has now very clearly begun in earnest.

The transformation required is significant but entirely achievable. The consistently better performances from our six transformed stores provide evidence and real encouragement; this is even more so when considering the potential impact of adding new product propositions and the benefits of colleague training programmes which have not been a factor in the performance so far. However, if we are to win back old and attract new customers we have to change quickly and to invest. The level of investment required simply could not be funded in our existing shape and size. Therefore restructuring and re-capitalisation of the business has been necessary to provide the opportunity to deliver our transformation plan.

One of the first issues for me to address was to ensure we have the right senior team and capability in place to deliver the turnaround plan. In my first year I have recruited Directors to lead Retail Operations, Human Resources & Training, Trading and Marketing. The departure of Debbie Robinson to become Managing Director of Spar UK, whilst disappointing, provides an opportunity to further develop the team. I have also recruited a new CFO in David Williams. David has considerable experience in business turnarounds and has made a tremendous impact in a relatively short period of time in the Company.

The weakness in retail disciplines and processes identified during last year could only be sustainably corrected once an experienced and capable team was in place. We now have a strong senior team and will continue to infuse new talent as well as training and developing existing colleagues, in order to create a modern and effective team in all key functions.

The trading performance has been poor and consistently below expectations. Our adjusted operating loss* for the period was £73.9 million. In addition, we had exceptional items of £108.0 million which included an impairment charge for goodwill of £92.6 million resulting in an operating loss of £181.8 million. Lack of capability and the weakness in buying disciplines and processes account in part for the underperformance. Additionally the cash constraints during the second half of the period had a significant impact on our ability to bring in the stock ordered and in many cases resulted in stock arriving late and on occasion too late for our customers who had to buy from elsewhere. We have stopped the buying principles that created many of last year's problems and under the leadership of a new Trading Director we are constantly improving the allocation of stock and the availability both in store and online. We continue to receive incredible support from our supplier partners, who understand what we are trying to achieve and absolutely agree with our strategic direction. Together we will continue to improve quarter over quarter, bringing the best of branded and own branded products and improving availability and relevance for our customers.

* Adjusted operating loss is shown before (charging) crediting exceptional operating items of (£92.6) million of goodwill impairment and (£15.4) million of other exceptional items (2010: £0.3 million – ongoing retail, £0.1 million – other items) as shown in the Consolidated statement of financial performance.

Overview

Chief Executive's review continued

Promotionally the World Cup and the need to clear through slow selling stock dominated the period. The World Cup was disappointing for JJB due to the England team's poor performance. The clearance activity that followed, although essential, was purely tactical and did not enhance the JJB brand.

Nevertheless, we have made some good progress promoting our online business, more than doubling our sales mix in that area and introducing Collect@Store and i-store ahead of schedule and to all stores. Both are good examples of very customer focused propositions evidenced by the immediate take up and fantastic feedback. E-Commerce lies at the heart of our multi-channel needs strategy and provides truly nationwide penetration and the 'best of both worlds' when combined with stores. We will continue to develop extended ranges online which can be accessed either in store or at home and add further ways to purchase including a mobile version of the site.

In summary, the period has been incredibly challenging and characterised by corporate efforts to survive rather than to develop and grow. The Board and I are incredibly grateful for the extraordinary support from our bank, shareholders, colleagues, suppliers and ultimately our landlords who collectively have enabled us to recapitalise the Company and to restructure in order to provide a foundation upon which we can build.

We have a developing senior team in place that is capable, committed and confident in our ability to deliver the turnaround plan. The plan is simple and focused on constantly improving our proposition and customer experience as well as our profitability. There remains a lot to do and it will take three to five years to complete this transformation. Nevertheless, the market opportunity is clear and every day we will improve some part of our product offer, stores and customer service such that our customers start to notice the difference. There is an added incentive to act fast in order to take advantage of a 2012 Olympics that promises to bring sport to the front of the nation's mind and create an even greater opportunity for an authentic sports retailer like JJB Sports.

Keith Jones
Chief Executive Officer
25 May 2011

Business review

Operating review

Overview

The 52 week period to 30 January 2011 has once again proven to be an extremely challenging time for the Company as a result of both internal and external factors. Performance has been very disappointing resulting in the business being close to entering into administration as the initiatives put in place by previous

management failed to deliver the necessary turnaround in business performance.

Review of operating results

The operating results for the 52 weeks to 30 January 2011 and the comparative figures for the 53 weeks to 31 January 2010 are summarised below:

	52 weeks to 30 January 2011	53 weeks to 31 January 2010		
	Total £'000	Ongoing retail £'000	Other items* £'000	Total £'000
Continuing operations				
Revenue	362,894	361,123	11,370	372,493
Cost of sales	(238,020)	(222,298)	(8,118)	(230,416)
Gross profit	124,874	138,825	3,252	142,077
Other operating income	1,848	2,960	782	3,742
Distribution expenses	(20,810)	(20,340)	(538)	(20,878)
Administration expenses	(24,075)	(24,245)	(504)	(24,749)
Selling expenses	(263,649)	(162,071)	(5,433)	(167,504)
Operating loss	(181,812)	(64,871)	(2,441)	(67,312)
Adjusted operating loss**	(73,856)	(65,176)	(2,555)	(67,731)

* There are no other items in the current period. In the prior period, other items represented results of retail cessations during the 53 week period to 31 January 2010 including retail stores attached to fitness clubs, OSC and Qube stores, and other non-core retail stores.

** Adjusted operating loss is shown before (charging) crediting exceptional operating items of (£92.6) million of goodwill impairment and (£15.4) million of other exceptional items (2010: £0.3 million – ongoing retail, £0.1 million – other items) as shown in the Consolidated statement of financial performance.

Ongoing retail operations

Revenue from ongoing retail operations for the 52 weeks to 30 January 2011 increased by £1.8 million (0.5 per cent) compared to the previous accounting period and reflected a like-for-like increase of 5.9 per cent (on operating units that have been trading for over 52 weeks). However, this overall improvement reflects a first half like-for-like sales increase of 14.4 per cent and a second half decline of 1.5 per cent. The first half benefitted from the re-stocking of the business following the previous fund-raising which completed on 3 November 2009 and the impact of the football World Cup; although in absolute terms with England's poor performance this was below our expectation. At the half period end our stock was £92.7 million compared to £47.8 million in the equivalent period in the prior period. However the overall re-stocking was not effective and whilst the good stock that was purchased helped to support the sales in the first half of the period, the second half proved to be a very poor trading period and the business incurred significant trading losses and as a consequence experienced a significant cash outflow. The working capital position became increasingly constrained and the business was unable to take in the stock required to support the sales forecasts. As a consequence the business was on the brink of entering administration towards the end of the financial period.

Overall gross margin from ongoing retail operations was 34.4 per cent compared to 38.4 per cent for the prior year. However, as with our sales performance there was a significant disparity between the first and second half. In the first half gross margins were 42.2 per cent compared to 34.0 per cent in the equivalent period in the prior period; in the second half margins deteriorated to 26.4 per cent compared to 42.3 per cent in the prior period. This deterioration reflected the poor stock packages available to the business and the need to offer substantial discounts to clear the stock out of the business. In addition, despite this discounting activity during the second half, at the period end we have reviewed the carrying value of our stock and strengthened our provisions by some £11 million as a consequence.

During the period the business invested in a store refurbishment programme comprising six stores. The performance of these six transformed stores has been very encouraging with sales 16 per cent above the Company average and gross profit 30 per cent above the Company average, measured in the period from 1 November 2010 (when the last of the six transformed stores opened) to the period end.

Business review

Operating review continued

Ongoing retail net operating expenses before exceptional operating items decreased by 3.3 per cent to £177.3 million, due mainly to the reduction in store numbers through the first CVA in 2009 and disposal of 55 retail stores attached to the fitness clubs leading to decreased running costs, as well as a 33 per cent reduction in the number of full-time equivalent jobs in central services.

At the period end the Company comprised 247 trading retail stores operating from 2.7m square feet of retail space.

Operating loss

Operating loss from the ongoing retail operations was £181.8 million, compared to £64.9 million last period. However the operating loss is after charging exceptional operating items of £108.0 million compared with a credit of £0.3 million for 2010. The principal exceptional item relates to an impairment to the carrying value of goodwill in respect of Blane Leisure Limited and Sports Division (Eireann) Limited and which is included within selling expenses. Thus operating loss from ongoing retail operations before exceptional items was £73.9 million (2010: £65.2 million).

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

Net loss before taxation

The net loss before taxation increased to a £181.4 million loss from a £68.6 million loss in the prior period.

Taxation

Owing to the losses incurred there is no taxation payable.

Loss per share

Continuing operations

Basic loss per Ordinary Share for the 52 weeks to 30 January 2011 was 61.83 pence compared to 20.84 pence in the previous accounting period. The loss per share has increased due to the increase in exceptional items to £108.1 million (2010: £0.1 million). The adjusted basic loss per Ordinary Share (before deduction of exceptional items) for the 52 weeks to 30 January 2011 was 26.49 pence compared to 20.36 pence in the previous accounting period. The number of shares for the purpose of basic loss per Ordinary Share and adjusted basic loss per Ordinary Share has been adjusted retrospectively to take account of the Firm Placing and Placing and Open Offers completed during February 2011 and April 2011.

Key performance indicators

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

	52 weeks to 30 January 2011	53 weeks to 31 January 2010
Financial KPIs		
Change in like-for-like revenue – ongoing retail	5.9%	(27.3)%
Gross margin – ongoing retail	34.4%	38.4%
Cash flow from operations	£(71.9)m	£(81.0)m
Net (debt) funds	£(18.8)m	£58.8m
Inventories	£52.7m	£68.6m
Inventories less trade payables	£14.3m	£(7.0)m
Non-financial KPIs		
Retail selling space (sq ft)	2,748,000	2,777,000
Number of full time equivalent employees	3,779	4,629

In order to measure and monitor the success of its turnaround plans the Board is developing a more comprehensive set of financial and non-financial KPIs aligned to each element of the plan.

Review of Statement of financial position

Goodwill

Goodwill has been subject to an impairment review as at the period end date which has resulted in a reduction in its carrying value of £92.6 million from £106.4 million as at 31 January 2010 to £13.8 million as at 30 January 2011.

Capital expenditure

Capital expenditure on property, plant and equipment for the 52 weeks to 30 January 2011 was £4.1 million compared to £1.8 million in the previous accounting period. This capital expenditure was principally spent on the refurbishment of the six trial stores and enhancement to the IT infrastructure.

Inventories

The value of inventories at 30 January 2011 was £52.7 million compared to £68.6 million at 31 January 2010. This reduction is due to the working capital constraints experienced by the business in the second half of the financial period and a reassessment of provisioning requirements as at the period end date.

Net (debt) funds

The Group's net debt, excluding Loan notes, at 30 January 2011 was £18.8 million compared to £58.8 million net funds at 31 January 2010. The principal reason for this deterioration is the net cash outflow from operations of £71.9 million.

Trade and other payables

Trade and other payables have reduced to £68.4 million at 30 January 2011 from £106.2 million at 31 January 2010 owing to the working capital constraints experienced by the business in the second half of the financial period.

Current asset investments and loan notes

The Loan note deposit represented a bank balance which acted as security for the Loan notes which were included within current liabilities in the Consolidated statement of financial position for 53 weeks to 31 January 2010. The Loan notes were repaid on the 11 June 2010.

Dividend

The Board does not recommend payment of a dividend in respect of the 52 weeks to 30 January 2011 (2010: nil).

Share capital

Details of the share capital and post period end movements, including the two Firm Placing and Placing and Open Offers referred to earlier, and the Capital Reorganisation are described in note 44 of the Notes to the Financial statements.

The mid-market share price of the Ordinary Shares at the close of business on 28 January 2011, which was before the Capital Reorganisation, was 4.39 pence, representing an equity market capitalisation of approximately £28.6 million.

Director update

There have been a number of changes to the Board over the last 12 months as follows:

- > On 1 March 2010, Keith Jones joined the Board as Chief Executive Officer;
- > On 25 March 2010, Colin Tranter resigned as a Director;
- > On 27 May 2010 John Clare was appointed as Chairman of the Company, having been Acting Chairman since 28 January 2010;
- > On 28 July 2010 David Jones resigned as a Non-executive Director;
- > On 23 December 2010 John Clare resigned as a Non-executive Director and Chairman and Mike McTighe was appointed as a Non-executive Director and Chairman; and
- > On 17 January 2011, Lawrence Coppock resigned as Finance Director and David Williams was appointed as Chief Financial Officer.

After the end of the period, the following changes to the Board have occurred:

- > On 6 May 2011, Richard Bernstein was appointed to the Board as a Non-executive Director appointed by Crystal Amber Fund Limited; and
- > On 17 May 2011, the Company announced that Lawrence Christensen will join the Board as a Non-executive Director on 1 November 2011.

Events after the Statement of financial position

There have been a number of significant events after the Statement of financial position. Please refer to note 44 of the Notes to the Financial statements on page 90.

Principal risks and uncertainties

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

Business review

Operating review continued

Economic conditions

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

Competition

JJB's retail store chain operates in a particularly competitive part of the retail sector and therefore its degree of competitiveness is to some extent affected by the retail pricing policies of its competitors which in turn impacts upon JJB's margins, profitability and market share. JJB continues to re-position itself within the market and refocus on its Serious about Sport strategy offering quality ranges at varying price points, together with improving its multi-channel capability, the quality of its store portfolio and its service offering. A wider range of products is being offered including a greater emphasis on non-clothing merchandise. Senior management will continually review the selection of ranges on offer, ensuring that good value is maintained to meet customer demands.

Key personnel

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

Suppliers

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

Availability of credit

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

Treasury and financial risks

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

IT systems and business continuity

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

Revenue dependence on key sporting events

JJB derives some benefit in alternate years from the sale of replica kits if the national football teams reach the finals of the two major competitions (the FIFA World Cup and the Euro Championships). In order to mitigate against this risk JJB continues to implement measures to reduce the level of dependency on tournament years by concentrating on all major sporting events and offering a wider perennial product portfolio.

Logistics and distribution infrastructure

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

Business review

Corporate responsibility

Corporate Social Responsibility

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

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

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

Ethical codes of conduct and worldwide labour standards

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

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

The majority of JJB's products are purchased from the UK subsidiaries of major international suppliers who generally source their products in the Far East. Through

regular meetings with suppliers JJB tries to ensure that those manufacturing units have comprehensive compliance procedures and good working practices in place.

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

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

Environmental impact

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

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

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

The Board is committed to reducing the Group's landfill waste from all its operations. During the year to 30 January 2011, JJB recycled 19 tonnes of paper which would otherwise have been sent to landfill. Wherever possible, cardboard (the major packaging constituent in the business) and plastic are baled and passed to a recycling business for reprocessing. During the past year, JJB recycled plastic totalling 129 tonnes. The usage of cardboard fell for the third year in succession due to the reduced usage to 1,427 tonnes (2010: 2,050 tonnes). This further reduction in cardboard recycling is a reflection of the reduced usage of packaging by JJB Sports and the use of recycled tubs to transfer stock to stores.

Charitable and community issues

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

JJB continues to support local and national charities as well as supporting local sporting teams. Currently, we provide two of our sites rent free to registered charities (our Blackpool site to the Fylde Ex-Service Liaison Committee and a site in St Helens to Willowbrook Hospice).

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

- > £3,792 was raised for Macmillan Cancer Relief through the sale of football badges and discounts on sporting leisurewear. Since the campaign began in 1999 over £1.2 million has been donated to this charity;
- > £3,738 was raised for Breakthrough Breast Cancer through the sale of pin badges in the Company's stores; and
- > A number of JJB colleagues ran in the London Marathon raising individual amounts for charity.

After the end of the financial year, JJB launched a shoe recycling programme. Customers receive a voucher redeemable against a new pair of sports shoes when they deposit an old pair in store. The money that JJB raises from this activity is donated to its chosen charity – Whizz-kidz. The scheme has proved to be extremely successful and the Company is pursuing a number of other avenues to extend the partnership with Whizz-kidz.

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

Employment issues

The Group currently employs approximately 5,200 people throughout the UK and overseas (principally Eire). This has been an extremely difficult year for many employees of the Group and JJB always strives to be a responsible and valued employer. JJB is an equal opportunities employer and as such the following key values are respected throughout JJB's operations:

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

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that the appropriate

training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee training

Staff training and development is a major priority for JJB and is taking on a new focus as the Company develops its business planning in 2011 and beyond. Colleagues working in store receive training relating to selling techniques, products and health and safety. The Group grants financial support to those employees wishing to obtain relevant professional qualifications whilst in its employment. Career progression is available to employees across the Group.

Employee consultation

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

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

Employee Sharesave plan

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

- > September 2007 at an option price of 1690 pence per Ordinary Share. As at 30 January 2011, the plan had 46 members holding options over 5,366 Ordinary Shares.
- > November 2009 at an option price of 232 pence per Ordinary Share. As at 30 January 2011, the plan had 91 members holding options over 75,722 Ordinary Shares.
- > November 2010 at an option price of 77 pence per Ordinary Share. There were no options under the 2010 Sharesave plan as at 30 January 2011.

All figures quoted are after the Capital Reorganisation on 21 February 2011, and remain subject to HMRC approval of the changes.

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

Governance

Board of Directors



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Executive Directors

01 Keith Jones MBA (46)

Chief Executive Officer

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

02 David Williams BA FCA (44)

Chief Financial Officer

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

03 Richard Manning LLB (Hons), MBA, Solicitor (46)

Legal and Operations Director and

Company Secretary

Richard Manning was appointed to the JJB Board on 25 March 2009, having been acting General Counsel since 7 January 2009. In addition to his duties as Company Secretary and General Counsel, he is responsible for HR, property and property-related issues, IT and warehousing and distribution. Prior to joining JJB, Richard was Company Secretary and latterly a director of GCap Media plc and GWR Group plc. He will stand down from the Board at the Company's AGM on 8 July 2011.

Non-executive Directors

04 Mike McTighe (57)

Chairman

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

05 David Adams M.A. (Hons), FCMA (56)

Senior Independent Non-executive Director

David Adams was appointed as a Non-executive Director of the Company on 29 January 2010. He is currently Chairman of Snap Equity Ltd (Jessops) as well as being a Non-executive Director of Halfords Group, Alexon Group (where he will become Chairman on 31 May 2011) and British Retail Consortium (Trading) and a Trustee and Non-executive Director of Walk the Walk, a breast cancer charity. He has also held Non-executive positions at Moss Bros (where he was Non-executive Chairman), Whittard of Chelsea, Ottakars and Eidos. Between 1997 and 2006, David was Finance Director of House of Fraser, additionally becoming Deputy CEO in 2001. Prior to 1997, he held senior positions at Asprey, Ladbrokes and Burton Group.

06 Sir Matthew Pinsent CBE (40)

Independent Non-executive Director

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

07 Alan Benzie FCA (64)

Independent Non-executive Director

Alan Benzie was appointed as a Non-executive Director on 3 August 2007. Alan was Chairman of KPMG in the North of England until his retirement in 2003 and is now Chairman of a national legal firm, DWF. He is also a Non-executive Director of Auto Think Limited and is Chairman of the Board of Governors of Manchester Metropolitan University. He will stand down from the Board at the Company's AGM on 8 July 2011.

08 Richard Bernstein (48)

Non-executive Director

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

Note: The Directors named above comprise all of the Directors of JJB at the date of this report. For details of other Directors who served during the year under review, see the Corporate Governance report on pages 15 to 20.

Governance

Board Committees

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

Audit Committee

Alan Benzie (Committee Chairman)
Mike McTighe
David Adams

Remuneration Committee

David Adams (Committee Chairman)
Alan Benzie
Matthew Pinsent
Richard Bernstein

Nominations Committee

Mike McTighe (Committee Chairman)
Alan Benzie
David Adams

CSR Committee

Richard Bernstein (Committee Chairman)
Matthew Pinsent
Keith Jones

Notes:

- > David Adams and Matthew Pinsent joined, respectively, the Audit Committee and the Remuneration Committee, on 3 March 2010;
- > John Clare left the Audit Committee, the Nominations Committee and the Remuneration Committee, when he stepped down from the Board on 23 December 2010;
- > Mike McTighe joined the Audit Committee and the Nominations Committee on 23 December 2010;
- > Richard Bernstein joined the Remuneration Committee on 6 May 2011;
- > The CSR Committee was formed on 6 May 2011;
- > The terms of reference of these Committees are summarised in the Corporate Governance report on pages 17 to 18 and on JJB's corporate website, www.jjbcorporate.co.uk; and
- > Richard Manning is secretary of each of these Committees.

Governance

Corporate Governance report

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

Compliance

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

The Board currently comprises eight Directors: the Chairman, three Executive Directors and five Non-executive Directors. Their names, roles and brief biographical details are provided on page 13. The Company has previously reported that Richard Manning and Alan Benzie will leave the Board at the AGM on 8 July 2011 and Lawrence Christensen will join the Board on 1 November 2011 as a Non-executive Director.

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

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

The Directors

Full details of all current Directors are set out on pages 12 to 13. For details of other Directors who served during the period under review, see the Operating review on page 7.

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

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

Performance evaluation

Owing to the number of changes in the composition of the Board during the year and the Company’s continuing financial difficulties, informal rather than formal board performance evaluation was conducted during the year under review. Board performance evaluation will continue to be conducted. The extent to which this is formal or informal will be determined by the Chairman and the Board according to the available resources and business needs.

How the Board operates

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

Governance

Corporate Governance report continued

How the Board operates (continued)

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

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

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

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

Board and Committee meetings

The Board normally holds 10 scheduled Board meetings each year, but during the period under review, owing to the intense activity required as a result of the issues faced by the Company during the year, the Board met formally 20 times and on many other occasions on a less formal basis.

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

	Board of Directors 20	Audit Committee 3	Remuneration Committee 7	Nominations Committee 2
Number of meetings				
Current Directors:				
Mike McTighe ¹	4 (4)	0 (0)	–	0 (0)
Keith Jones ²	18 (19)	–	–	–
Richard Manning	20 (20)	–	–	–
David Williams ³	3 (3)	–	–	–
David Adams ⁴	18 (20)	2 (3)	3 (3)	2 (2)
Alan Benzie	20 (20)	3 (3)	6 (7)	2 (2)
Richard Bernstein ⁵	0 (0)	–	0 (0)	–
Matthew Pinsent ⁶	14 (20)	–	4 (5)	–
Former Directors:				
John Clare ⁷	16 (16)	3 (3)	4 (4)	0 (0)
Lawrence Coppock ⁸	17 (17)	–	–	–
David Jones ⁹	2 (6)	–	–	0 (2)
Colin Tranter ¹⁰	2 (3)	–	–	–

Notes:

1 Appointed 23 December 2010.

2 Appointed 1 March 2010.

3 Appointed 17 January 2011.

4 Appointed to the Board on 29 January 2010; appointed to the Audit Committee on 3 March 2010; appointed to the Remuneration Committee on 1 July 2010; appointed formally to the Nominations Committee on 28 July 2010, although was appointed on a temporary basis for the two meetings shown in the table.

5 Appointed to the Board and the Remuneration Committee on 6 May 2011.

6 Appointed to the Board on 31 January 2010; Matthew Pinsent had a number of prior commitments which made his attendance at some previously scheduled Board meetings, particularly near the beginning of the period impossible. Appointed to the Remuneration Committee on 3 March 2010.

7 Resigned 23 December 2010.

8 Resigned on 17 January 2011.

9 Resigned on 28 July 2010, having moved from being Executive Chairman to Non-executive Director on 28 January 2010.

10 Resigned on 25 March 2010.

Board Committees

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

Audit Committee

The Audit Committee met three times during the year. The Committee is chaired by Alan Benzie, who, until his retirement in 2003, was chairman of KPMG in the North of England. The other Committee members are currently David Adams and Mike McTighe. John Clare also served as a member of the Committee during the year under review. The Chief Financial Officer, senior executives and the Group's external auditors also attend meetings of the Committee at the invitation of the Committee chairman. Alan Benzie will retire from the Board at the AGM on 8 July 2011.

The Committee's responsibilities include:

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

Remuneration Committee

The Remuneration Committee met seven times during the year. The Committee is chaired by David Adams and the other members are currently Alan Benzie, Matthew Pinsent and Richard Bernstein. John Clare also served as a member of the Committee during the year under review. Alan Benzie will retire from the Board at the AGM on 8 July 2011.

The Committee's responsibilities include:

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

Further details about Directors' remuneration are set out in the Directors' Remuneration report on pages 24 to 33.

Nominations Committee

The Nominations Committee met twice during the year. The Committee was chaired by John Clare until he left the Board on 23 December 2010 since when Mike McTighe has chaired the Committee. The other members of the Committee are Alan Benzie and David Adams. David Jones also served as a member of the Committee during the year under review. Alan Benzie will retire from the Board at the AGM on 8 July 2011. An announcement about the future composition of the Nominations Committee will be made in due course. As its two meetings during the year were to consider the appointment of a Chairman, John Clare did not attend those meetings (as he was a candidate and eventually appointed as Chairman). David Adams was appointed to the Committee on a temporary basis in his place for those meetings before being formally appointed later in the year.

The Committee's responsibilities include:

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

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

Governance

Corporate Governance report continued

CSR Committee

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

Internal Control and Risk Management

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

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

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

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

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

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

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

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

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

Governance

Corporate Governance report continued

Going concern

At the time of the announcement of the Group's interim results on 27 September 2010, it was disclosed that trading conditions experienced by the Group were difficult and consequently the Group's lender, Bank of Scotland ("BoS"), had agreed to waive the Group's EBITDAR covenant test in October 2010.

The Group continued to experience very difficult trading conditions and on 23 December 2010, the Company and BoS agreed the terms of a waiver of the EBITDAR and fixed charge cover ratio tests scheduled for 31 January 2011. On this date the Group also announced that it had secured support from key investors for a capital raising totalling £31.5 million gross proceeds.

The first Firm Placing and Placing and Open Offer, full details of which are set out in the Prospectus sent to Shareholders and dated 2 February 2011, was concluded on 25 February 2011 and resulted in gross proceeds of £31.5 million which allowed the Group to settle overdue creditors and provide the Group with short term liquidity to allow the preparation of a fundable revised business plan and provide sufficient time to execute a refinancing and a restructure of the Group's store portfolio.

On 3 March 2011, as part of the Group's restructuring and refinancing, a CVA proposal was announced.

The second Firm Placing and Placing and Open Offer, full details of which are set out in the Prospectus sent to Shareholders and dated 6 April 2011, was concluded on 27 April 2011 and resulted in gross proceeds of £65 million.

The CVA challenge period expired on 21 April 2011, and on 28 April 2011, following receipt of the gross proceeds from the second stage capital raise, the CVA proposal was implemented and the Company entered into new bank financing arrangements (see note 44 of the Notes to the Financial statements) with BoS with an extension of its current £25 million revolving working capital facility which will now expire on 31 May 2014. This facility also includes revised covenants and concluded the Group's restructuring.

The Group has traded in line with its business plan during the first quarter of its current financial period i.e. the 52 weeks ending 29 January 2012. The turnaround programme is now established in the business and the new management team are executing the plan, notably re-balancing and re-investing in the stock packages following the period of significant working capital constraints in order to drive trading performance and also ensuring the cost base reflects the needs of the business for the future.

The Directors have reviewed trading and cash flow forecasts as part of their going concern assessment which take into consideration the uncertainties in the current operating environment and also the latest trading information. The Directors are aware that there are uncertainties facing the business, not least that future trading may not be in line with the assumptions in the Group's latest business plan, which in turn, is dependent on the current economic climate and the implementation of its business recovery programme.

The Directors have applied reasonable stress testing to their trading and cash flow forecasts and after applying reasonable sensitivities, these show that the Group would continue to have headroom within its working capital facilities and on its revised covenants.

The Directors are therefore of the opinion that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and for this reason, they continue to adopt the going concern basis in preparing the Annual Report and Financial statements. This Annual Report does not include any adjustments that would result in the going concern basis of preparation being inappropriate.

Mike McTighe
Chairman
25 May 2011

Governance

Directors' report

Annual Report

The Directors of JJB Sports plc present their Annual Report on the affairs of the Group, together with the Financial statements and auditors' report for the 52 week period ended 30 January 2011.

Principal activities

JJB Sports is a sports retailer supplying branded sports and leisure clothing, footwear and accessories. Full details of the Group's activities can be found in the Operating review on pages 5 to 9.

Business review

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

- > Chairman's statement on page 1;
- > Chief Executive's review on pages 3 to 4;
- > Operating review on pages 5 to 9;
- > Corporate Governance report on pages 15 to 20; and
- > Directors' Remuneration report on pages 24 to 33.

Events after the period end

Details of important events affecting the Company occurring since the period end are set out in note 44 of the Notes to the Financial statements.

Results and dividends

Group losses from continuing operations after taxation and after exceptional items were £181.4 million (2010: Loss £61.1 million). Losses from continuing operations before exceptional items were £73.9 million (2010: Loss £67.7 million). No interim dividend was paid during the year and the Directors cannot recommend a final dividend for the period (2010: same).

Financial instruments

Information on the Company's use of financial instruments, its financial risk management objectives and policies and the exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk is provided in the Operating review on pages 5 to 9 and in note 41 of the Notes to the Financial statements.

Share capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 27 of the Notes to the Financial statements. The Company has two classes of share, Ordinary Shares and Deferred Shares. The Ordinary Shares carry no right to fixed income and each Ordinary Share carries the right to one vote at general meetings of the Company. The Deferred Shares carry no rights.

The Company has issued Warrants to subscribe for Ordinary Shares. Details are in notes 23 and 44 of the Notes to the Financial statements.

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

Details of employee share schemes are set out in note 28 of the Notes to the Financial statements and in the Directors' Remuneration report on page 24 to 33. The provisions of the Company's share schemes and plans may cause options and awards granted under such schemes and plans to vest on a takeover.

After the end of the financial period under review, there were a number of changes to the share capital structure as described in the Operating review on pages 5 to 9, and in note 44 of the Notes to the Financial statements.

Governance

Directors' report continued

Directors' powers

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

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

Directors

The names, roles and brief biographical details of the current Directors are set out on page 13. The names of other Directors who served during the period together with full details of Board changes are contained in the Operating review on page 7.

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

The interests of the Directors in the Ordinary Shares of the Company at the period end (together with details of any subsequent changes) are set out in the Directors' Remuneration report on pages 24 to 33. In addition, details of all service agreements and letters of appointment entered into between the Company and the Directors are set out in the Directors' Remuneration report.

Details of related party transactions affecting the Directors are set out in note 43 of the Notes to the Financial statements.

Contracts

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

Substantial Shareholders

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

	Number of shares in which there is an interest	Interest in issued share Capital (%)
Invesco Asset Management Limited	139,275,935	47.48
Harris Associates L.P.	73,118,445	24.93
Crystal Amber Fund Limited	20,889,701	7.12
William Gates III	6,505,997	4.97

Charitable and political donations

Charitable donations of £7,530 (2010: £52,505) were made by the Group during the period. Details are given in the Corporate responsibility report on page 11. No political donations or contributions were made during the current or previous accounting period.

Supplier payment policy

The Group's policy for the payment of suppliers is to agree terms of payment with suppliers at the time when orders are placed. Payment is then made in accordance with the agreed terms. At 30 January 2011, the number of days' purchases included in the amounts owing to trade creditors in the Group and Company was 50 days (2010: 80 days), based on the ratio of trade creditors at the end of the accounting period to the amounts paid during the accounting period to trade creditors.

Statement as to disclosure of information to Auditors

Pursuant to section 418 of the Companies Act 2006, each Director of the Company confirms that (a) so far as he is aware, there is no relevant audit information of which the Company's auditor are unaware; and (b) that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information. For these purposes, relevant audit information means information needed by the Company's auditor in connection with preparing their report set out on pages 35 to 36.

Annual General Meeting

Details of the Company's AGM to be held in 2011 are set out in the Notice of AGM being sent to shareholders, a copy of which will be available on the Company's website.

By Order of the Board

Richard Manning
Company Secretary
25 May 2011

Governance

Directors' Remuneration report

Introduction

This report has been prepared in accordance with the Companies Act 2006 (the Act); the FSA's Listing Rules and the Combined Code. A resolution to approve this report will be proposed at the Company's forthcoming AGM.

This report contains unaudited and audited information in two sections. The Act requires the auditor to report on the audited information within the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act.

Unaudited information

The Remuneration Committee

The terms of reference of the Remuneration Committee are summarised in the Corporate Governance report on pages 15 to 20. The names of the current members of the Remuneration Committee and the changes to membership made during the period are set out under 'Board Committees' on page 17.

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

External advisers

The Remuneration Committee has not appointed formal external advisers during the year, but has on occasions during the period and after the end of the period taken advice from KPMG LLP, Hewitt New Bridge Street, MM & K Limited and Herbert Smith LLP.

Remuneration policy

Executive Directors

The remuneration of Executive Directors is determined by the Remuneration Committee, which also gives guidance on remuneration for senior executives and agrees policy for the whole Company. It is the Company's remuneration policy to seek to ensure that:

- > Its Executive Directors are fairly rewarded for their individual contributions to the Group's performance;
- > Their overall remuneration packages are competitive with those of comparable listed companies; and
- > Each Executive Director is incentivised to improve the Group's performance by means of a performance-related bonus and the award of share incentives.

Grants of share options and other awards to Executive Directors and senior executives are made at the discretion of the Remuneration Committee in exceptional circumstances. Options are granted and awards made on the basis of individual and Company performance.

Non-executive Directors

The remuneration of the Non-executive Directors is in the form of Directors' fees and in certain circumstances share based remuneration. The fee levels are reviewed annually by the Board after consultation with the Executive Directors and after taking into account the performance of the Non-executive Directors and the levels of remuneration paid by comparable listed companies.

Grants of share options and other awards to Non-executive Directors are made at the discretion of the Board in exceptional circumstances. Options are granted and awards made on the basis of individual and Company performance.

Executive Directors' remuneration

The remuneration provided to the Executive Directors comprises a basic salary, a performance-related annual bonus, share options and share awards, certain taxable benefits and pension contributions or contributions made in lieu of pension contributions.

Basic salary

The basic salaries of Executive Directors are set and reviewed annually by the Remuneration Committee. In determining salary levels, the Committee takes into consideration the levels of salaries of Directors in similar sized listed companies. Salary levels are tailored to individual experience, responsibility and performance.

Performance-related bonus and other bonus arrangements

Each Executive Director is eligible to participate in a performance-related bonus scheme under which a bonus is payable according to whether or not performance targets are met, provided that the maximum award shall be no higher than 100 per cent of the Executive Director's annual salary. The performance targets for the bonus scheme are set by the Remuneration Committee, which may also make provision for deferral arrangements.

If the Executive Director's employment terminates part way through a bonus year, he will be entitled to a pro-rata bonus payment, subject always to the relevant performance targets for the bonus year being met.

As part of his engagement, Keith Jones was guaranteed a bonus equal to 50 per cent of his salary pro-rata for the year 2010/11. This bonus, amounting to £171,875 was paid, subject to appropriate deductions for tax and National Insurance contributions, in July 2010. Immediately after payment of the net bonus, Keith Jones notified the Company that he had purchased 710,000 Ordinary Shares of 5 pence each at a price of 12.69 pence each (adjusted to 71,000 Ordinary Shares following the Capital Reorganisation) at a total cost of £90,099, more than the net amount of bonus received by him.

No other performance-related bonuses were paid to any current Executive Directors in respect of the 52 week period ending 30 January 2011, although bonuses from prior years were paid (as disclosed below) and certain other bonuses are also paid, again as disclosed below.

In respect of the 53 week period ended 31 January 2010, as disclosed in the Annual Report for that year, performance-related bonuses were awarded based on the achievement of targets to all Executive Directors then in post. 50 per cent of the relevant bonus was paid immediately with each Executive Director agreeing to defer the remaining 50 per cent as shown in the table below until the Company makes a profit before interest and tax, subject to earlier payment in certain limited defined circumstances, including on ceasing to be a Director of the Company.

Details of the performance-related bonuses paid and deferred are as follows:

	Agreed bonus	50% bonus paid 2009/2010	50% bonus deferred ¹
David Jones	£206,000	£103,000	£103,000
Lawrence Coppock	£142,000	£71,000	£71,000
Richard Manning	£150,000	£75,000	£75,000
Colin Tranter	£142,000	£71,000	£71,000

Note 1: It was agreed that the applicable marginal tax rate of the recipient at the date of payment is 50 per cent; the payment would be adjusted upwards to compensate the recipient for this fact.

The deferred element of the bonus was paid to David Jones and Colin Tranter during the year under review as part of the financial arrangements relating to their departure from the Board. These payments are disclosed in the table on page 31. Additionally, the Remuneration Committee agreed that the deferred element of the bonus payable to Richard Manning and Lawrence Coppock would be payable in connection with the agreements relating to their departure from the Board. That payable to Richard Manning was paid in March 2011; that payable to Lawrence Coppock is payable in August 2011.

Additionally, the Remuneration Committee agreed to pay an exceptional discretionary bonus of £30,000 to Lawrence Coppock in recognition of the exceptional duties associated with his role prior to his departure from the Board on 17 January 2011. This bonus was paid in two tranches, the first payment of £20,000 being made in January 2011 and the second tranche of £10,000 being paid in February 2011.

Governance

Directors' Remuneration report continued

Share Option Schemes and Long Term Incentive Plan

The Company has established the following Share Schemes:

- > The 1999 Approved and Unapproved Share Option Schemes;
- > The 2006 Long Term Incentive Plan;
- > The 2006 Unapproved Share Option Scheme;
- > The 2007 Sharesave Plan; and
- > The 2010 Approved Share Option Plan.

There are limits in the 2006 Long Term Incentive Plan, the 2006 Unapproved Share Option Scheme, the 2007 Sharesave Plan and the 2010 Approved Share Option Plan on the number of new shares which may in aggregate be allocated over newly issued shares in any 10 year period, equivalent to 10 per cent of the issued ordinary share capital of the Company from time to time. As the 1999 Approved and Unapproved Share Option Schemes have expired no further allocations may be made under those schemes although previous allocations will be taken into account in allocations made under the other schemes in future.

None of the benefits under the above schemes are pensionable.

The terms of the Share Schemes are summarised below. All figures have been adjusted as a result of the Capital Reorganisation.

1999 Approved and Unapproved Share Option Schemes

The 1999 Approved and Unapproved Share Option Schemes expired in February 2009. There are no outstanding options and, as no options may be allocated under such schemes, the schemes are now considered closed.

2006 Long Term Incentive Plan ("LTIP")

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

Options and awards may be adjusted in the event of any variation of share capital.

Immediately following the 2009 Capital Raising, awards were made under the 2006 Long Term Incentive Plan to Sir David Jones, Lawrence Coppock, Richard Manning and Colin Tranter (being the Executive Directors at the time of the 2009 Capital Raising) over 5,922,569 Ordinary Shares of 5 pence each in the Company (adjusted to 592,256 Ordinary Shares following the Capital Reorganisation). Following his appointment as Chief Executive, Keith Jones received an award over 7,500,000 Ordinary Shares of 5 pence each in the Company (adjusted to 750,000 Ordinary Shares following the Capital Reorganisation) under the same plan. The awards were approved by the Remuneration Committee, who took advice from the Company's remuneration advisers.

All of the share options held by Colin Tranter and Lawrence Coppock lapsed on the date of their respective resignation from the Board and the share options held by Richard Manning will lapse on his departure from the Board on the date of the Company's 2011 AGM, currently scheduled for 8 July 2011. Sir David Jones retained 1,433,316 share options over Ordinary Shares of 5 pence each in the Company (adjusted to 143,331 Ordinary Shares following the Capital Reorganisation) on his departure from the Board.

The total of the subsisting awards as at the date of this Remuneration Report held by Keith Jones and Richard Manning is, in aggregate, 0.46 per cent of the Company's Existing Issued Share Capital. The awards were considered by the Remuneration Committee as exceptional awards.

The exceptional awards were designed to incentivise members of the executive team to achieve a percentage growth of total shareholder return (TSR) (the calculation for the TSR percentage increase is set out below), defined as share price plus dividends reinvested from the day of entitlement (ex dividend day), over a three year performance period starting with the date the awards were made, being 5 November 2009 and 2 June 2010 respectively.

No Ordinary Shares will be released unless TSR increases by at least 50 per cent at which point 25 per cent of the Ordinary Shares subject to the award will be released. The maximum release of Ordinary Shares will be achieved if TSR increases by 150 per cent or more. There will be a straight-line increase in the number of Ordinary Shares to be released as TSR increases between 50 per cent and 150 per cent of each award.

The TSR increase will be calculated as the percentage increase from a Base Level to a Measurement Level defined as follows:

- > Base Level – the blended price of the mid market price immediately prior to announcement of the Capital Raising during November 2009 and the Issue Price; and
- > Measurement Level – the highest average arithmetic median over a 60 day window, up to and including the last day of the three year performance period.

The Remuneration Committee has adjusted the Base Level and the Measurement Level to take into account the recent Capital Reorganisation.

In accordance with the rules of the plan, the underlying financial performance of the Company will also need to be considered as justifying any release of Ordinary Shares subject to awards.

The Remuneration Committee has adjusted options and awards as a result of the recent Capital Reorganisation.

2006 Unapproved Share Option Scheme

The 2006 Unapproved Share Option Scheme provides for unapproved options which will normally be exercisable between three and ten years following grant subject to achievement of a three year performance test. The price per Ordinary Share payable upon exercise of options must not be less than the market value at the time of grant. Options may be exercised upon the participant ceasing employment in certain good leaver circumstances or if the Company is taken over or reconstructed subject to satisfaction of the applicable performance target and pro-rating in the case of early leavers.

Options may be adjusted by the Board in the event of any variation of share capital by way of capitalisation or rights issue, or sub-division, consolidation or reduction.

As at today's date, there are 5,625 options outstanding over Ordinary Shares (taking into account the effects of the Capital Reorganisation) under the 2006 Unapproved Share Option Scheme at a price of 190 pence per share, subject to a three year performance target requiring adjusted profits before tax of the Company to be between £35 million and £45 million.

2007 Sharesave Plan

The 2007 Sharesave Plan is approved by HMRC and is open to all Group employees (including Executive Directors) with over six months' service. The first invitation under the plan was made in September 2007 at an option price of 1,690 pence per Ordinary Share (taking into account the effects of the Capital Reorganisation), while a second invitation was made in November 2009 at an option price of 232 pence per Ordinary Share (taking into account the effects of the Capital Reorganisation). A third invitation has recently been made at an option price of 77 pence per Ordinary Share (taking into account the effects of the Capital Reorganisation).

The Plan provides for the grant of tax relieved options and involves participants saving under a tax-relieved Save As You Earn ("SAYE") savings contract. HMRC rules limit the maximum amount saved under the savings contract to £250 per month. Options are offered at a price calculated, in the case of the September 2007 invitation, at the end of the three or five year term of the SAYE savings contract, and in the case of the November 2009 and November 2010 invitations, at the end of the three year term of the SAYE savings contract, by applying a discount of 20 per cent to the market value of the Existing Ordinary Shares. The options under the 2007 Sharesave Plan may normally be exercised during the period of six months after completion of the three or five year term of the SAYE savings contract.

Governance

Directors' Remuneration report continued

Options may be exercised prior to the date the bonus becomes due if the participant leaves on certain good leaver grounds or the Company is taken over or reconstructed.

Options may be adjusted by the Board in the event of any variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction, subject to the prior approval of the auditors and HMRC, the latter being still outstanding as at the date of this Annual Report.

As at today's date, there are 1,047,544 options outstanding over Ordinary Shares (taking into account the effects of the Capital Reorganisation) under the 2007 Sharesave Plan.

2010 Approved Share Option Plan

The 2010 Approved Share Option Plan is approved by HMRC and provides for eligible employees to be granted an option to subscribe or purchase Ordinary Shares in the Company which will normally be exercisable between the third and tenth anniversaries of the date of grant. No payment is required for the grant of the options. Options will have an exercise price of not less than the market value of an Ordinary Share at the date of grant.

Options may be exercised prior to the date of vesting if the participant leaves on certain good leaver grounds or the Company is taken over or reconstructed. Options may be adjusted by the Board in the event of any variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction, subject to the prior approval of the auditors and HMRC.

As at today's date, there are no options outstanding under the 2010 Approved Share Option Plan.

2010 Share Fee Agreement

The 2010 Approved Share Option Plan is approved by HMRC and provides for eligible employees to be granted an option to subscribe or purchase Ordinary Shares in the Company which will normally be exercisable between the third and tenth anniversaries of the date of grant. No payment is required from the recipient for the grant of the options. Options will have an exercise price of not less than the market value of an Ordinary Share at the date of grant.

Amendments

The 2006 Unapproved Share Option Scheme, the 2007 Sharesave Plan and the 2010 Approved Share Option Plan provide that the Board may make any alteration to the plans as it deems fit provided that alterations to certain provisions (including eligibility requirements, limits on participation, the basis for determining a participant's entitlement and the provisions for adjustments in the event of a variation of capital) require prior shareholder approval, except to take account of applicable legislation or statutory regulations (or any change in them) or to obtain or maintain favourable tax treatment for the Company or participants. The LTIP contains similar provisions with the exception that in the case of the LTIP, the plan cannot be amended to the advantage of the participants without the prior approval of the shareholders.

The Remuneration Committee has adjusted options and awards as a result of the recent Capital Reorganisation and it will consider whether any further adjustments should be made as a result of the Capital Raising and to take account of the Open Offer (subject, where appropriate, in all cases to auditor and HMRC approval) and whether any new or replacement options and awards should be made.

New Senior Executive Incentive Plan

It is proposed, following the recent successful Capital Raisings and transfer to AIM, to introduce a new equity incentive plan designed to reward success in achieving the Company's turnaround plan.

Details of the proposed new plan have yet to be finalised. However, the following broad parameters, which may be subject to change, have been proposed by the Remuneration Committee, which is now discussing them with the Company's principal shareholders:

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

Employee Benefit Trust

The Employee Benefit Trust was established in 2006 to operate in conjunction with the Company's employee share schemes and provides the Company with flexibility in the sourcing of Ordinary Shares. It is operated by an independent offshore trustee.

Pensions

Certain of the Executive Directors who served during the year chose to make contributions to their own personal pension schemes and the Company contributed an amount into those schemes. Other Directors chose to have an equivalent sum paid in cash. Others chose a combination. Details are set out in the table on page 31.

Taxable benefits

Executive Directors are eligible for taxable benefits, which include:

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

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

Governance

Directors' Remuneration report continued

Directors' service contracts and letters of appointment**Executive Directors' service contracts**

The Executive Directors have entered into service contracts with the Company on the terms set out below:

Name	Position	Notice period	Date of appointment	Date of service contract
Keith Jones	Chief Executive	12 months	1 March 2010	10 December 2009
David Williams	Chief Financial Officer	12 months	17 January 2011	13 January 2011
Richard Manning ¹	Legal and Operations Director	12 months	25 March 2009	23 July 2009

Note 1: Richard Manning will leave the Board at the Company's 2011 AGM on 8 July.

The Company can discharge its contractual obligations (other than in relation to any bonus entitlement) in relation to the unexpired portion of an Executive Director's notice period by making a payment in lieu thereof (calculated by using a factor of 1.25 of annual salary to take account of the Executive Director's contractual benefits).

Details of service contracts for Executive Directors leaving or changing status during the year:

Name	Position	Notice period	Date of appointment	Date of resignation or termination	Date of service contract
Colin Tranter	Executive Director	12 months	18 May 2009	25 March 2010	23 July 2009
	Executive Chairman and then Non-executive Director (as an Executive Director)	12 months		On 31 January 2010 he became a Non-executive Director. Resigned on 28 July 2010	
David Jones			1 October 2007		23 July 2009
Lawrence Coppock	Finance Director	12 months	18 May 2009	17 January 2011	23 July 2009

Non-executive Directors' letters of appointment

Save in relation to Richard Bernstein, the letters of appointment of all Non-executive Directors provide for an initial term of three years and are terminable by either party on one month's notice. Details of these letters are set out below. Richard Bernstein was appointed to the Board on 6 May 2011 following his nomination pursuant to a right granted by the Company to Crystal Amber Fund Limited in a Relationship Agreement dated 21 February 2011:

Non-executive Directors	Date of letter of appointment
Mike McTighe	13 January 2011
David Adams	29 January 2010
Alan Benzie	11 May 2010
Richard Bernstein	N/A
Matthew Pinsent	29 January 2010

The letters of appointment of Non-executive Directors leaving during the period were as follows:

David Jones	11 May 2010
John Clare	10 August 2009

David Jones signed a new letter of engagement upon his resignation as Executive Director and becoming a Non-executive Director.

Executive Directors' external appointments

Executive Directors may be invited to become Non-executive Directors of other companies. This is encouraged by the Board, provided no conflicts arise and the Executive Director's time commitment is not adversely affected. In these circumstances, the Executive Director is permitted to retain any fees paid to him for such an appointment.

Audited information

Directors' Remuneration

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

	£'000 Basic salary/ fees	£'000 Car allowance	£'000 Bonus ¹	£'000 Taxable benefits ²	£'000 Pension contributions	£'000 Compensation for loss of office	£'000 2011 Total	£'000 2010 Total
Executive Directors								
Keith Jones	344	18	172	–	86	–	620	–
Richard Manning	200	20	–	1	30	–	251	442
David Williams	9	1	–	–	–	–	10	–
Executive Directors leaving the Board during the year								
Colin Tranter	27	3	71	1	1	252	355	350
Lawrence Coppock	200	20	117 ³	2	30	–	369	374
Non-executive Directors								
Mike McTighe	16	–	–	–	–	–	16	–
David Adams	52	–	–	–	–	–	52	–
Alan Benzie	45	–	–	–	–	–	45	85
Richard Bernstein ⁴	–	–	–	–	–	–	–	–
Matthew Pinsent	40	–	–	–	–	–	40	–
Non-executive Directors leaving the Board during the year								
David Jones	59	–	103	–	–	–	162	581
John Clare	105	–	–	–	–	–	105	31
Total 2011	1,097	62	463	4	147	252	2,025	1,863

Notes:

- 1 See the details and table on page 25 for information on the bonus payments.
- 2 The taxable benefits received by each of the Executive Directors are detailed on page 29.
- 3 This is made up of a £30,000 bonus in respect of the current year and a bonus of £87,270 agreed prior to the period end, of a prior year performance bonus payable in August 2011.
- 4 Richard Bernstein was appointed after the end of the period.

Governance

Directors' Remuneration report continued

Directors' interests

A. Share Options and Share Awards

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

Number of 1p Ordinary Shares								
Executive Directors at period end	Scheme	As at 30 January 2011	Granted during period	Lapsed during period	As at 31 January 2010	Exercise price per share (pence)	Date from which exercisable	Exercise expiry date
Keith Jones	2006 LTIP	750,000	750,000	–	–	–	02.06.13	01.06.20
Richard Manning	2006 LTIP	592,256	–	–	592,256	–	05.11.12	04.11.19
David Williams	2006 LTIP	–	–	–	–	–		
Total		1,342,256	750,000	–	592,256	–		
Executive Directors leaving or changing status during the year								
Colin Tranter	2006 LTIP	–	–	(592,256)	592,256	–	05.11.12	04.11.19
Lawrence Coppock	2006 LTIP	–	–	(592,256)	592,256	–	05.11.12	04.11.19
Total		–	–	(1,184,512)	1,184,512	–		
Grand total		1,342,256	750,000	(1,184,512)	1,776,768	–		

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

The performance conditions attached to awards under the 2006 LTIP are described on pages 26 to 29.

The period over which the performance conditions attached to awards under the 2006 LTIP is measured is 5 November 2009 to 5 November 2012 and 2 June 2010 to 2 June 2013.

None of the Directors who served during the year exercised any options or awards during the accounting period or between the end of the accounting period and the date of this report.

A third invitation to apply for shares under the Group Sharesave plan was made in November 2010, and the scheme commenced on 1 February 2011. Of the current Directors, Richard Manning and Keith Jones had each applied for options of 115,830 shares (after the Capital Reorganisation) and had cancelled all previous Sharesave options they respectively held.

The middle market price of the Company's Ordinary Shares as derived from the daily Official List on Friday 28 January 2011 was 4.39 pence and the range during the accounting period was 3.75 pence to 24.40 pence (prices stated without adjustment).

B. Ordinary Shares

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

Executive Directors at period end	30 January 2011 Number of ordinary shares		31 January 2010 Number of ordinary shares	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
David Adams	10,000	–	–	–
Alan Benzie	16,200	–	16,200	–
Keith Jones	71,000	–	–	–
Richard Manning	15,075	–	15,075	–
Mike McTighe	40,000	–	–	–
Matthew Pinsent	–	–	–	–
David Williams	–	–	–	–
Total	152,275	–	31,275	–

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

Save for Richard Bernstein, who does not appear in the above table as he was not appointed at the end of the accounting period, there have been no changes in the currently serving Directors' interests since the end of the accounting period and the date of this report. Richard Bernstein is interested in the Ordinary Shares and the Warrants to subscribe for Ordinary Shares held by Crystal Amber Fund Limited and by Invesco Asset Management Limited.

On behalf of the Board

David Adams

Chairman of the Remuneration Committee
25 May 2011

Governance

Directors' responsibilities statement

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

Company law requires the Directors to prepare Financial statements for each financial period. Under that law the Directors are required to prepare the Group Financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company Financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial statements, International Accounting Standard 1 requires that Directors:

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Keith Jones
Chief Executive
25 May 2011

David Williams
Chief Financial Officer
25 May 2011

Financial statements

Independent auditor's report to the members of JJB Sports plc continued

For the 52 weeks to 30 January 2011

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matters

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

Although not required to do so, the Directors have voluntarily chosen to make a Corporate Governance Statement detailing the extent of their compliance with the June 2008 Combined Code. We reviewed:

- > The Directors' statement, contained within the Corporate Governance report, in relation to going concern;
- > The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- > Certain elements of the report to shareholders by the Board on Directors' remuneration.

Sharon Fraser, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

25 May 2011

Financial statements

Consolidated statement of financial performance

For the 52 weeks to 30 January 2011

	Notes	52 weeks to 30 January 2011 Total £'000	Ongoing retail £'000	53 weeks to 31 January 2010 Other items* £'000	Total £'000
Continuing operations					
Revenue		362,894	361,123	11,370	372,493
Cost of sales		(238,020)	(222,298)	(8,118)	(230,416)
Gross profit		124,874	138,825	3,252	142,077
Other operating income	3	1,848	2,960	782	3,742
Distribution expenses		(20,810)	(20,340)	(538)	(20,878)
Administration expenses		(24,075)	(24,245)	(504)	(24,749)
Selling expenses		(263,649)	(162,071)	(5,433)	(167,504)
Operating loss		(181,812)	(64,871)	(2,441)	(67,312)
Adjusted operating loss		(73,856)	(65,176)	(2,555)	(67,731)
Exceptional items – goodwill impairment		(92,610)	–	–	–
– other exceptional items		(15,346)	305	114	419
Operating loss		(181,812)	(64,871)	(2,441)	(67,312)
Investment income	8	512			2,704
Finance costs	9	(1,162)			(3,685)
Finance costs are stated after charging					
Exceptional bank arrangement fees and charges	9	(100)			(500)
Fair value on derivative instruments		1,919			903
Debt issue costs		(822)			(1,202)
Loss before taxation	6	(181,365)			(68,592)
Taxation	10	–			7,475
Loss for the period from continuing operations		(181,365)			(61,117)
Discontinued operations					
	35				
Profit for the period from discontinued operations		–			6,534
Profit for the period from discontinued operations is stated after (charging) crediting					
Loss on disposal of property, plant and equipment		–			(258)
Release of deferred lease incentives		–			7,582
Loss after taxation for the period attributable to equity holders of the Parent Company		(181,365)			(54,583)
Loss per share					
From continuing operations					
Basic loss per Ordinary Share	Pence	(61.83)			(20.84)
Diluted loss per Ordinary Share	Pence	(61.83)			(20.84)
From continuing and discontinued operations					
Basic loss per Ordinary Share	Pence	(61.83)			(18.61)
Diluted loss per Ordinary Share	Pence	(61.83)			(18.61)

* There are no other items in the current period. In the prior period, other items represented results of retail cessations during the 53 week period to 31 January 2010 including retail stores attached to fitness clubs, OSC and Qube stores, and other non-core retail stores.

Financial statements

Consolidated statement of comprehensive income

For the 52 weeks to 30 January 2011

	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Release from share based payment reserve taken directly to equity	-	589
Exchange loss on translation of foreign operations	(662)	(379)
Net (expense) income recognised directly in equity	(662)	210
Loss after taxation for the period	(181,365)	(54,583)
Recognised expense for the period	(182,027)	(54,373)

Financial statements

Consolidated statement of changes in equity

For the 52 weeks to 30 January 2011

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Share based payment reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
At 25 January 2009	12,542	174,055	1,069	(3,083)	635	338	(925)	184,631
Loss for the period	–	–	–	–	–	–	(54,583)	(54,583)
Exchange differences on translation of foreign operations	–	–	–	–	–	(379)	–	(379)
Total comprehensive income for the period	12,542	174,055	1,069	(3,083)	635	(41)	(55,508)	129,669
Dividends repaid to the company	–	–	–	–	–	–	54	54
Release from share based payment reserve taken directly to equity	–	–	–	–	–	–	589	589
Debit to equity for equity- settled share based payment	–	–	–	–	(187)	–	–	(187)
Firm Placing and Placing and Open Offer	20,000	73,428	–	–	–	–	–	93,428
Transfer to retained earnings	–	(73,428)	–	–	–	–	73,428	–
At 31 January 2010	32,542	174,055	1,069	(3,083)	448	(41)	18,563	223,553
Loss for the period	–	–	–	–	–	–	(181,365)	(181,365)
Exchange differences on translation of foreign operations	–	–	–	–	–	(662)	–	(662)
Total comprehensive income for the period	32,542	174,055	1,069	(3,083)	448	(703)	(162,802)	41,526
Credit to equity for equity- settled share based payment	–	–	–	–	2,545	–	–	2,545
At 30 January 2011	32,542	174,055	1,069	(3,083)	2,993	(703)	(162,802)	44,071

Financial statements

Consolidated statement of financial position

As at 30 January 2011

	Notes	As at 30 January 2011 £'000	As at 31 January 2010 £'000
Non-current assets			
Goodwill	14	13,796	106,406
Other intangible assets	15	20,175	22,369
Property, plant and equipment	16	64,859	74,691
		98,830	203,466
Current assets			
Inventories	18	52,725	68,582
Trade and other receivables	19	9,077	26,293
Current tax receivable		–	174
Current asset investments	20	–	168,117
Cash and cash equivalents	21	5,859	58,812
		67,661	321,978
Total assets		166,491	525,444
Current liabilities			
Trade and other payables	22	(68,384)	(106,156)
Loan notes	23	–	(168,117)
Provisions	24	(6,636)	(9,057)
Derivative financial instruments	41	(113)	(2,032)
		(75,133)	(285,362)
Net current (liabilities) assets		(7,472)	36,616
Non-current liabilities			
Bank loans	23	(24,678)	–
Deferred tax liabilities	25	–	–
Deferred lease incentives	26	(11,733)	(13,849)
Provisions	24	(10,876)	(2,680)
		(47,287)	(16,529)
Total liabilities		(122,420)	(301,891)
Net assets		44,071	223,553
Equity			
Share capital	27	32,542	32,542
Share premium account	29	174,055	174,055
Capital redemption reserve	30	1,069	1,069
Investment in own shares	31	(3,083)	(3,083)
Share based payment reserve	32	2,993	448
Foreign currency translation reserve	33	(703)	(41)
Retained (losses) earnings	34	(162,802)	18,563
Total equity		44,071	223,553

The Financial statements of JJB Sports plc, Company no. 1024895, were approved by the Board of Directors and authorised for issue on 25 May 2011. They were signed on its behalf by:

K Jones Chief Executive Officer
D Williams Chief Financial Officer

Financial statements

Consolidated statement of cash flow

For the 52 weeks to 30 January 2011

	Notes	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Net cash outflow from operating activities	37	(71,895)	(81,023)
Cash flows from investing activities			
Interest received		512	2,704
Proceeds on disposal of investment in associate		-	625
Proceeds on disposal of property, plant and equipment		155	2,962
Proceeds from sale of Leisure division		-	77,362
Purchase of intangible assets	15	(1,100)	(1,139)
Purchase of property, plant and equipment	16	(4,089)	(1,835)
Release from escrow		-	3,837
Net cash (used in) from investing activities		(4,522)	84,516
Cash flows from financing activities			
Interest paid		(946)	(3,883)
Dividends repaid		-	54
Proceeds from issues of share capital		-	93,428
Drawdown of current asset investment		168,117	-
Settlement of loan notes		(168,117)	-
Net proceeds from bank loans		25,000	-
Repayment of bank loan		-	(75,000)
Net cash from financing activities		24,054	14,599
Net (decrease) increase in cash and cash equivalents		(52,363)	18,092
Cash and cash equivalents at beginning of period		58,812	40,638
Effect of foreign exchange rate changes		(590)	82
Cash and cash equivalents at end of period	21	5,859	58,812

Financial statements

Company statement of financial position

As at 30 January 2011

	Notes	As at 30 January 2011 £'000	As at 31 January 2010 £'000
Non-current assets			
Other intangible assets	15	20,175	22,369
Property, plant and equipment	16	50,765	59,967
Investments in subsidiaries	17	20,894	168,574
		91,834	250,910
Current assets			
Inventories	18	45,204	56,702
Trade and other receivables	19	12,426	26,148
Current asset investments	20	–	168,117
Cash and cash equivalents	21	735	49,881
		58,365	300,848
Total assets		150,199	551,758
Current liabilities			
Trade and other payables	22	(213,419)	(266,164)
Current tax liability		–	(493)
Loan notes	23	–	(168,117)
Provisions	24	(3,919)	(6,773)
Derivative financial instruments	41	(113)	(2,032)
		(217,451)	(443,579)
Net current liabilities		(159,086)	(142,731)
Non-current liabilities			
Bank loans	23	(24,678)	–
Deferred tax liabilities	25	–	–
Deferred lease incentives	26	(9,629)	(11,379)
Provisions	24	(6,937)	(2,276)
		(41,244)	(13,655)
Total liabilities		(258,695)	(457,234)
Net (liabilities) assets		(108,496)	94,524
Equity			
Share capital	27	32,542	32,542
Share premium account	29	174,055	174,055
Capital redemption reserve	30	1,069	1,069
Investment in own shares	31	(3,083)	(3,083)
Share based payment reserve	32	2,993	448
Retained losses	34	(316,072)	(110,507)
Total equity		(108,496)	94,524

The Financial statements of JJB Sports plc, Company no. 1024895, were approved by the Board of Directors and authorised for issue on 25 May 2011. They were signed on its behalf by:

K Jones Chief Executive Officer
D Williams Chief Financial Officer

Financial statements

Company statement of cash flow

For the 52 weeks to 30 January 2011

	Notes	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Net cash outflow from operating activities	37	(70,407)	(85,960)
Cash flows from investing activities			
Interest received		502	2,687
Proceeds on disposal of investment in associate		–	625
Proceeds on disposal of property, plant and equipment		155	2,581
Proceeds from sale of Leisure division		–	77,362
Purchase of intangible assets	15	(1,100)	(1,139)
Purchase of property, plant and equipment	16	(2,350)	(1,401)
Release of escrow		–	3,837
Net cash (used in) from investing activities		(2,793)	84,552
Cash flows from financing activities			
Interest paid		(946)	(3,787)
Dividends repaid		–	54
Proceeds from issues of share capital		–	93,428
Drawdown of current asset investment		168,117	–
Settlement of loan notes		(168,117)	–
Net proceeds from bank loans		25,000	–
Repayment of bank loan		–	(75,000)
Net cash from financing activities		24,054	14,695
Net (decrease) increase in cash and cash equivalents		(49,146)	13,287
Cash and cash equivalents at beginning of period		49,881	36,594
Cash and cash equivalents at end of period	21	735	49,881

Financial statements

Statement of accounting policies

For the 52 weeks to 30 January 2011

Accounting period

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

Adoption of new and revised Standards

In the current period, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in the Financial statements:

The following amendments were made as part of Improvements to IFRSs (2009):

IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 17	Leases
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 8	Operating Segments

Others adopted in the year:

IFRS 2	Share-based Payments
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At the date of authorisation of these Financial statements, the following Standards and Interpretations which have not been applied in these Financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IAS 1	Presentation of Financial Statements
IAS 27	Consolidated and Separate Financial Statements
IAS 34	Interim Financial Reporting
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures

Other amendments in issue not yet effective:

IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets)
IAS 24	Related Party Disclosures – Revised definition of related parties
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets
IFRS 9	Financial Instruments – Classification and Measurement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

Basis of preparation

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

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

Going concern

At the time of the announcement of the Group's interim results on 27 September 2010, it was disclosed that trading conditions experienced by the Group were difficult and consequently the Group's lender, Bank of Scotland ("BoS"), had agreed to waive the Group's EBITDAR covenant test in October 2010.

The Group continued to experience very difficult trading conditions and on 23 December 2010, the Company and BoS agreed the terms of a waiver of the EBITDAR and fixed charge cover ratio tests scheduled for 31 January 2011. On this date the Group also announced that it had secured support from key investors for a capital raising totalling £31.5 million gross proceeds.

The first Firm Placing and Placing and Open Offer, full details of which are set out in the Prospectus sent to Shareholders and dated 2 February 2011, was concluded on 25 February 2011 and resulted in gross proceeds of £31.5 million which allowed the Group to settle overdue creditors and provide the Group with short term liquidity to allow the preparation of a fundable revised business plan and provide sufficient time to execute a refinancing and a restructure of the Group's store portfolio.

On 3 March 2011, as part of the Group's restructuring and refinancing, a Company Voluntary Arrangement ("CVA") proposal was launched.

The second Firm Placing and Placing and Open Offer, full details of which are set out in the Prospectus sent to Shareholders and dated 6 April 2011, was concluded on 27 April 2011 and resulted in gross proceeds of £65 million.

The CVA challenge period expired on 21 April 2011, and on 28 April 2011, following receipt of the gross proceeds from the second stage capital raise, the CVA proposal was implemented and the Company entered into new bank financing arrangements (see note 44 of these Notes to the Financial statements) with BoS with an extension of its current £25 million revolving working capital facility which will now expire on 31 May 2014. This facility also includes revised covenants and concluded the Group's restructuring.

The Group has traded in line with its business plan during the first quarter of its current financial period i.e. the 52 weeks ending 29 January 2012. The turnaround programme is now established in the business and the new management team are executing the plan, notably re-balancing and re-investing in the stock packages following the period of significant working capital constraints in order to drive trading performance and also ensuring the cost base reflects the needs of the business for the future.

The Directors have reviewed trading and cash flow forecasts as part of their going concern assessment which take into consideration the uncertainties in the current operating environment and also the latest trading information. The Directors are aware that there are uncertainties facing the business, not least that future trading may not be in line with the assumptions in the Group's latest business plan, which in turn, is dependent on the current economic climate and the implementation of its business recovery programme.

The Directors have applied reasonable stress testing to their trading and cash flow forecasts and after applying reasonable sensitivities, these show that the Group would continue to have headroom within its working capital facilities and on its revised covenants.

The Directors are therefore of the opinion that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and for this reason, they continue to adopt the going concern basis in preparing the Annual Report and Financial statements. This Annual Report does not include any adjustments that would result in the going concern basis of preparation being inappropriate.

Basis of consolidation

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

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

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

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

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

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

Financial statements

Statement of accounting policies continued

For the 52 weeks to 30 January 2011

Business combinations

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

Goodwill

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Financial statements

Statement of accounting policies continued

For the 52 weeks to 30 January 2011

Share based payments

Equity-settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 28 of these Notes to the Financial statements.

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

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

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

Revenue recognition

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

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

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

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

Leasing

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

The Group as lessor

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

Financial statements

Statement of accounting policies continued

For the 52 weeks to 30 January 2011

Taxation

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

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

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

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

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

Financial instruments

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

Financial assets

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

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- > It has been acquired principally for the purpose of selling in the near future;
- > It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; and
- > It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in the profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 41 of these Notes to the Financial statements.

Loans and receivables

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

A financial asset is classified as held for trading if:

- > It has been acquired principally for the purpose of selling in the near term; or
- > On initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- > It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- > Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- > The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- > It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial statements

Statement of accounting policies continued

For the 52 weeks to 30 January 2011

Other financial liabilities

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group has previously entered into derivative financial instruments to manage its exposure to foreign exchange rate risk, which comprise foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Consolidated statement of financial position date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Exceptional items

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

Financial statements

Notes to the Financial statements

For the 52 weeks to 30 January 2011

1. General information

JJB Sports plc is a Company incorporated in the United Kingdom. The address of the registered office is given on page 95 of the Annual Report. The nature of the Group's operations and its principal activities are set out in the Operating review on pages 5 to 9 of the Annual Report.

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

In the application of the Group's accounting policies, which are described in the Statement of accounting policies on pages 44 to 52, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Going concern

Going concern is a critical judgement; refer to pages 44 to 45.

Impairment of subsidiary undertakings

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

The carrying amount of subsidiary undertakings in the Company statement of financial position at 30 January 2011 was £20.9 million (2010: £168.6 million) and following the impairment review, an impairment charge was found to be necessary in the 52 weeks to 30 January 2011 of £147.7 million (2010: £nil).

Impairment of goodwill

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

Following the impairment review, an impairment charge of £92.6 million was recognised, in the 52 weeks to 30 January 2011, (2010: £nil) relating to the former Sports Division stores (£88.1 million in respect of Blane Leisure Limited (2010: £nil) and £4.5 million in respect of Sports Division (Eireann) Limited (2010: £nil). The carrying amount of goodwill in the Consolidated statement of financial position at 30 January 2011 was £13.8 million (2010: £106.4 million) (see note 14 of these Notes to the Financial statements for further details).

Impairment of tangible fixed assets

The Group provided £3.8 million at 30 January 2011 (2010: £nil) in respect of property, plant and equipment, within the first tranche of the CVA stores, due to be closed by April 2012. This fully impaired the assets at those stores.

Property provisions

The Group provided £2.9 million at 30 January 2011 (2010: released £13.6 million) in respect of the restructuring of its retail store chain which included a provision in respect of the costs expected to be incurred in exiting the lease agreements of the stores which were closed in April 2008, and provided £nil in respect of the first CVA on its retail store chain (2010: £10.0 million). These costs have been estimated as to the length of time necessary to exit the leases and the scale of any lump sums found to be necessary to achieve the exit. The estimates are based upon available information and knowledge of the property market. The ultimate costs to be incurred in this regard may vary from the estimates.

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

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

Stock provisions are established to reduce the carrying value of stock to the lower of cost and net realisable value. This requires an estimate to be made as to which stocks are likely to be sold at less than cost and the price at which these stocks are likely to be sold. The negative margin provision of £14.3 million relates to the value of stock that has been downgraded from cost to net realisable value, principally relating to unsold World Cup replica product and also stock where no delivery had taken place in the last six months and there were also no current orders.

3. Revenue

An analysis of revenue is as follows:

	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Ongoing operations		
Revenue from retail operations	361,340	359,072
Revenue from fitness clubs	1,554	2,051
Revenue – statement of financial performance	362,894	361,123
Other operating income	1,848	2,960
Investment income	512	2,704
Total revenue from continuing operations	365,254	366,787
Other items*	–	12,152
Discontinued operations	–	11,227
Total revenue	365,254	390,166

* There are no other items in the current period. In the prior period, other items represented results of retail cessations during the 53 week period to 31 January 2010 including retail stores attached to fitness clubs, OSC and Qube stores, and other non-core retail stores.

4. Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. There is only one segment following the disposal of the fitness clubs on 25 March 2009 being all the Group's retail operations.

The accounting policies of the reportable segment is set out in the Statement of accounting policies on pages 44 to 52. Segment results represents the profit (loss) earned by each segment before central administration costs including Directors' salaries, exceptional operating items, investment income, finance costs and income tax expense.

Revenues from major products and services and information about major customers

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

Geographical segments

The Group's reporting format is by business segment. Although the Group operates in two geographic segments, the UK and Eire, neither the revenue from sales to external customers nor the value of net assets within Eire represent more than 10 per cent of Group totals.

4. Business segments (continued)

Operating segments

Information regarding the Group's operating segments is reported below.

	Segmental information for the 52 week period to 30 January 2011 Ongoing retail operations £'000
Revenue	362,894
Gross profit	124,874
Location net operating expenses before exceptional operating items	(177,288)
Segment results	(52,414)
Central administration costs	(21,442)
Adjusted operating loss	(73,856)
Exceptional operating items	(107,956)
Operating loss	(181,812)
Investment income	512
Finance costs	(1,162)
Fair value on derivative instruments	1,919
Debt issue costs	(822)
Loss before taxation	(181,365)
Taxation	-
Loss after taxation	(181,365)

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

4. Business segments (continued)

	Segment information for the 53 week period to 31 January 2010					Consolidated £'000
	Ongoing retail £'000	Other items* £'000	Retail operations £'000	Fitness clubs £'000	Discontinued operations £'000	
Revenue	361,123	11,370	372,493	11,227	(11,227)	372,493
Gross profit	138,825	3,252	142,077	10,825	(10,825)	142,077
Location net operating expenses before exceptional operating items	(183,402)	(8,443)	(191,845)	(9,252)	9,252	(191,845)
Segment results	(44,577)	(5,191)	(49,768)	1,573	(1,573)	(49,768)
Central administration costs						(20,599)
Operating loss before exceptional operating items						(70,367)
Add back Lifestyle trading losses**						2,636
Exceptional operating items						419
Operating loss						(67,312)
Investment income						2,704
Finance costs						(3,685)
Fair value on derivative instruments						903
Debt issue costs						(1,202)
Loss before taxation						(68,592)
Taxation						7,475
Profit for the period from discontinued operations						6,534
Loss after taxation and discontinued operations						(54,583)

* Other items represents results of retail cessations during the period and including stores attached to fitness clubs, OSC and Qube stores, and other retail stores closed during the 53 week period to 31 January 2010.

** Lifestyle trading losses of £2.6 million are included within the results of the 'other items' column above. On the face of the Consolidated statement of financial performance they are also included within the exceptional items and this adjustment to the segmental note ensures these are not double-counted.

5. Exceptional items

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Goodwill impairment (note 14)	92,610	–
Impairment of loan and investment in associated undertaking	–	125
Impairment of subsidiary undertakings	–	376
Reorganisation costs	5,200	16,074
Net loss on disposal of intangibles	–	31
Net loss (gain) on disposal of property, plant and equipment	582	(256)
Impairment of fixed assets of CVA stores (note 16)	3,841	–
Provision for (release of) restructuring of retail store chain (note 24)	2,908	(13,616)
CVA provision (note 24)	–	10,000
Other vacant store provision (release) (note 24)	2,881	(1,402)
Loss on leisure retail stores on disposal	–	2,092
Release of deferred lease incentives	(66)	(15,635)
Lifestyle trading losses to administration	–	2,636
Lifestyle profit on de-recognition	–	(844)
	15,346	(419)
	107,956	(419)

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

Reorganisation costs relate to costs incurred from the restructuring of the Group.

Details in relation to the impairment of fixed assets of CVA stores and property provisions can be found in notes 16 and 24, respectively, of these Notes to the Financial statements.

6. Loss before taxation

Loss before taxation of the Group has been arrived at after charging (crediting):

	Continuing operations	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Exceptional items (see note 5)	107,956	(419)
Amortisation of other intangible assets	3,294	3,339
Depreciation of property, plant and equipment	9,269	11,700
Staff costs (see note 7)	63,366	77,715
Auditor remuneration – Audit Fees (see note below)	199	300
– Non-audit Fees (see note below)	392	1,359
Cost of inventories recognised as expense	219,179	219,103
Write down of inventories to net realisable value	12,154	2,221
Operating leases – plant and machinery	700	1,765
Operating leases – land and buildings	52,303	55,889

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

6. Loss before taxation (continued)

Auditor's remuneration

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

	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Fees payable to the Company's auditor with respect to the audit of the Company's annual accounts	119	210
Fees payable to the Company's auditor and their associates for other audit services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	80	90
Total audit fees	199	300
Non-audit fees:		
Reporting Accountant services	370	1,347
Tax services: advisory services	22	12
Total non-audit fees	392	1,359
	591	1,659

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

Of the Reporting Accountant fees in the 53 weeks to 31 January 2010 of £1,347,000, £985,000 related to the Firm Placing and Placing and Open Offer undertaken during November 2009 and £362,000 related to the sale of the fitness club business.

A description of the work of the Audit committee is set out in the Corporate Governance report on page 17 of the Annual Report and on page 19 there is an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the Auditor.

7. Staff costs

(a) The aggregate remuneration comprised:

	Group		Company	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Wages and salaries	57,026	72,316	45,414	56,082
Social security costs	3,566	4,423	2,950	3,343
Other pension costs (see note 42)	229	574	229	574
Share based payment (see note 32)	2,545	402	2,545	402
	63,366	77,715	51,138	60,401

7. Staff costs (continued)

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

Group	Average number of employees		Full time equivalents	
	52 weeks to 30 January 2011 Number	53 weeks to 31 January 2010 Number	52 weeks to 30 January 2011 Number	53 weeks to 31 January 2010 Number
Sales and distribution	6,471	7,888	3,553	4,293
Administration	230	355	226	336
	6,701	8,243	3,779	4,629

Company	Average number of employees		Full time equivalents	
	52 weeks to 30 January 2011 Number	53 weeks to 31 January 2010 Number	52 weeks to 30 January 2011 Number	53 weeks to 31 January 2010 Number
Sales and distribution	4,936	6,047	2,944	3,388
Administration	230	355	226	336
	5,166	6,402	3,170	3,724

(c) Key management personnel

The remuneration of the Company's Directors and the members of the Company's operating board (who are not members of the Executive Board), together with the Associate Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the expense categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of Directors is provided in the audited part of the Directors' remuneration report on pages 24 to 33.

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Short-term employee benefits	2,629	3,869
Post employment benefits	–	474
Termination benefits	352	825
Share based payments	2,545	423
	5,526	5,591

8. Investment income

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Interest on bank deposits	130	304
Interest on loan note deposit	382	2,400
	512	2,704

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

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Loans and receivables (including cash and bank balances)	512	2,704

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

9. Finance costs

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Interest on bank overdrafts and loans	834	1,773
Finance costs	228	106
Interest on loan notes	–	1,306
Exceptional bank arrangement fees and charges	100	500
	1,162	3,685

10. Taxation

The taxation credit shown in the Consolidated statement of financial performance for the 53 weeks to 31 January 2010 was based on the rate of taxation of 28 per cent for current taxation.

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Current taxation		
Adjustments in respect of prior periods	–	(1,260)
	–	(1,260)
Deferred taxation		
Current period	–	(3,322)
Adjustments in respect of prior period	–	381
	–	(2,941)
Total taxation credit from ongoing and discontinued operations	–	(4,201)
Taxation charge from discontinued operations	–	3,274
Taxation credit from ongoing operations	–	(7,475)

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

	Group			
	52 weeks to 30 January 2011		53 weeks to 31 January 2010	
	£'000	%	£'000	%
Loss before taxation:	(181,365)		(68,592)	
Tax at the current UK corporation tax rate	(50,782)	28.0	(19,206)	28.0
Tax effect of expenses that are not deductible in determining taxable loss	29,295	(16.2)	4,080	(5.9)
Tax effect of unrecognised losses	21,487	(11.8)	7,327	(10.7)
Tax effect of prior year UK corporation tax adjustments	–	–	(1,260)	1.8
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	–	1,203	(1.7)
Tax effect of prior year deferred tax adjustments	–	–	381	(0.6)
Total taxation credit and effective tax rate for the period	–	–	(7,475)	10.9

11. Loss attributable to JJB Sports plc

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

The loss after taxation for the accounting period dealt with in the Financial statements of the Parent Company, JJB Sports plc, was £205,565,000 (2010 loss: £37,183,000).

12. Dividends

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividends repaid for the 52 weeks to 27 January 2008	–	(54)

No final dividend is proposed for the 52 weeks to 30 January 2011 (2010: nil).

13. Loss per share

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

	52 weeks to 30 January 2011		53 weeks to 31 January 2010	
	£'000	Loss per share (pence)	£'000	Loss per share (pence)
From continuing operations				
Loss for the purposes of basic loss per Ordinary Share and diluted loss per Ordinary Share being net loss attributable to equity holders of the parent	(181,365)	(61.83)p	(61,117)	(20.84)p
Exceptional items – goodwill impairment	92,610	31.57p	–	–
– other exceptional items	15,346	5.23p	81	0.03p
Taxation on other exceptional items (net)	(4,278)	(1.46)p	1,331	0.45p
Loss for the purposes of adjusted basic loss per Ordinary Share being net loss attributable to equity holders of the parent before exceptional operating items, net of taxation	(77,687)	(26.49)p	(59,705)	(20.36)p

Continuing operations include retail cessations in line with IFRS5 'Assets Held For Resale and Discontinued Items'

	52 weeks to 30 January 2011		53 weeks to 31 January 2010	
	£'000	Loss per share (pence)	£'000	Loss per share (pence)
From continuing and discontinued operations				
Loss for the purposes of basic loss per Ordinary Share and diluted loss per Ordinary Share being net loss attributable to equity holders of the parent	(181,365)	(61.83)p	(54,583)	(18.61)p
Exceptional items – goodwill impairment	92,610	31.57p	–	–
– other exceptional items	15,346	5.23p	(10,091)	(3.44)p
Taxation on other exceptional items (net)	(4,278)	(1.46)p	4,179	1.42p
Loss for the purposes of adjusted basic loss per Ordinary Share being net loss attributable to equity holders of the parent before exceptional operating items, net of taxation	(77,687)	(26.49)p	(60,495)	(20.63)p

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

13. Loss per share (continued)

	Number of Ordinary Shares (thousands)	
	52 weeks to 30 January 2011	53 weeks to 31 January 2010
Number of Ordinary Shares for the purposes of basic loss per Ordinary Share and adjusted basic loss per Ordinary Share (restated – see below)	293,313	293,313
Effect of dilutive potential Ordinary Shares:		
Share options	–	–
Number of Ordinary Shares for the purposes of diluted loss per Ordinary Share	293,313	293,313
Continuing operations		
Basic loss per Ordinary Share	Pence (61.83)p	(20.84)p
Diluted loss per Ordinary Share	Pence (61.83)p	(20.84)p
Adjusted basic loss per Ordinary Share	Pence (26.49)p	(20.36)p
Continuing and discontinued operations		
Basic loss per Ordinary Share	Pence (61.83)p	(18.61)p
Diluted loss per Ordinary Share	Pence (61.83)p	(18.61)p
Adjusted basic loss per Ordinary Share	Pence (26.49)p	(20.63)p

The number of shares for the purpose of basic loss per Ordinary Share and adjusted basic loss per Ordinary Share has been adjusted retrospectively to take account of the Firm Placing and Placing and Open Offers completed during February 2011 and April 2011.

14. Goodwill

	Group £'000	Company £'000
Cost		
As at 31 January 2010 and 30 January 2011	257,291	–
Accumulated impairment losses		
At 31 January 2010	150,885	–
Impairment loss for the period	92,610	–
At 30 January 2011	243,495	–
Carrying amount		
At 30 January 2011	13,796	–
At 31 January 2010	106,406	–

14. Goodwill (continued)

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

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Blane Leisure Limited	13,796	101,854
Sports Division (Eireann) Limited	–	4,552
	13,796	106,406

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

The following impairments have been made:

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Blane Leisure Limited	88,058	–
Sports Division (Eireann) Limited	4,552	–
	92,610	–

The recoverable amounts of the cash generating units on which goodwill has arisen are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The Group prepares cash flow forecasts derived from the pre-tax operating results of the cash generating units concerned for the 52 weeks to 30 January 2011, and extrapolates cash flows for the remaining lengths of the store leases, extending profitable stores for a further 15 year lease term. The growth rate which has been applied in the forecasts for the 52 weeks to January 2014 onwards is 2 per cent.

The impairment calculation is sensitive to growth rates and also to the discount rate used in the calculation. For there to be no impairment, a growth rate in the period of 31.41 per cent would be required and if the impairment calculation had included 0 per cent growth (rather than 2 per cent), an additional impairment of £3.27 million would have been required. If the discount rate was increased by 1 per cent then an additional impairment charge of £1.04 million would be required.

The pre-tax rate used to discount the cash flow forecasts is 16.0 per cent (2010: 5.49 per cent). This discount rate reflects management's estimate of the time value of money and risks specific to the CGU's for which future cash flow estimates have not been adjusted.

The bases and methodology upon which the value in use has been determined is performed on a store by store basis using 2010/11 actual costs and gross margins and forecast results from 2011/12 and 2012/13. However due to the upwardly distorting effects of both the European Football Championships and the London Olympics due to be held in 2012, the growth rate of 2 per cent applied after 2012/13 is based upon 2011/12 projections.

The periods of the projected cash flows is longer than five years in the cases of those operating units whose premises are subject to leases whose remaining lengths extend beyond a period of five years and also whose leases would be extended should the leasehold interest be profitable.

The impairment loss of £92.6 million at 30 January 2011 represents the impairment to carrying value of goodwill of Blane Leisure Limited and Sports Division (Eireann) Limited which have been impaired due to a substantial underperformance of the business and the losses incurred over the past two years, the turnaround plan is expected to take three to five years, due to the amount of restructuring that is necessary and the deterioration of trading within the retail sector.

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

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

15. Other intangible assets

	Brand licences £'000	Group Other intangible assets £'000	Total £'000
Cost			
At 25 January 2009	30,244	1,825	32,069
Additions	–	1,139	1,139
Disposals	–	(92)	(92)
At 31 January 2010	30,244	2,872	33,116
Additions	–	1,100	1,100
At 30 January 2011	30,244	3,972	34,216
Amortisation			
At 25 January 2009	6,936	533	7,469
Charge for the period	1,842	1,497	3,339
Impairment	–	(13)	(13)
Eliminated on disposal	–	(48)	(48)
At 31 January 2010	8,778	1,969	10,747
Charge for the period	1,800	1,494	3,294
At 30 January 2011	10,578	3,463	14,041
Carrying amount			
At 30 January 2011	19,666	509	20,175
At 31 January 2010	21,466	903	22,369

	Brand licences £'000	Company Other intangible assets £'000	Total £'000
Cost			
At 25 January 2009	30,244	1,805	32,049
Additions	–	1,139	1,139
Disposals	–	(52)	(52)
At 31 January 2010	30,244	2,892	33,136
Additions	–	1,100	1,100
At 30 January 2011	30,244	3,992	34,236
Amortisation			
At 25 January 2009	6,936	515	7,451
Charge for the period	1,842	1,497	3,339
Impairment	–	(23)	(23)
At 31 January 2010	8,778	1,989	10,767
Charge for the period	1,800	1,494	3,294
At 30 January 2011	10,578	3,483	14,061
Carrying amount			
At 30 January 2011	19,666	509	20,175
At 31 January 2010	21,466	903	22,369

15. Other intangible assets (continued)

Included within the cost value of Brand licences at 30 January 2011 is a value of £10,023,000 in respect of the exclusive brand rights to the use of the "Slazenger" name on certain golf and related products which are held under a 999 year licence, of which 987 years remain. An impairment calculation was performed to estimate the present value of future cash flows expected to arise from this Brand. The key assumptions for this calculation were based on the gross profit on the sale of products which are branded Slazenger, for the 52 weeks to 30 January 2011, extrapolated over the next 15 years assuming no growth and a pre-tax weighted average cost of capital of 16.0 per cent (2010: 5.49 per cent). The period of the projected cash flows is of a longer period than 5 years because of the length of the licence. The Directors believe the Slazenger brand licence to have a long life and a residual value in excess of cost, therefore no amortisation charge has been made at 30 January 2011 on the grounds of immateriality (2010: £nil).

Brand licences at 30 January 2011 also included a cost value of £18,071,000 in respect of the brand rights to the use of the Glasgow Rangers FC name on certain sports products, which is being amortised over the 10 year term of the licence on a straight-line basis, from 7 June 2006.

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

16. Property, plant and equipment

	Group			Total £'000
	Freehold land and buildings £'000	Short leasehold property £'000	Plant and equipment £'000	
Cost				
At 25 January 2009	17,749	19,722	319,749	357,220
Additions	–	33	1,802	1,835
Exchange differences	–	–	(528)	(528)
Disposals	(3)	(16,711)	(157,561)	(174,275)
At 31 January 2010	17,746	3,044	163,462	184,252
Additions	–	36	4,053	4,089
Exchange differences	–	–	(101)	(101)
Disposals	(70)	(391)	(3,885)	(4,346)
At 30 January 2011	17,676	2,689	163,529	183,894
Accumulated depreciation				
At 25 January 2009	3,759	11,185	180,232	195,176
Charge for the period	348	213	11,139	11,700
Impairment	–	(5,522)	(48,344)	(53,866)
Exchange differences	–	–	(67)	(67)
Eliminated on disposals	(1)	(4,390)	(38,991)	(43,382)
At 31 January 2010	4,106	1,486	103,969	109,561
Charge for the period	341	122	8,806	9,269
Impairment	–	119	3,722	3,841
Exchange differences	–	–	(28)	(28)
Eliminated on disposals	(49)	(173)	(3,386)	(3,608)
At 30 January 2011	4,398	1,554	113,083	119,035
Carrying amount				
At 30 January 2011	13,278	1,135	50,446	64,859
At 31 January 2010	13,640	1,558	59,493	74,691

The impairment loss on short leasehold property and plant and equipment arose in connection with the operating losses and post period end restructuring of the property portfolio. This resulted in an impairment charge of £3,841,000 (2010: £nil). The recoverable value was identified as the value in use of £64,859,000.

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

16. Property, plant and equipment (continued)

Cost	Company			Total £'000
	Freehold land and buildings £'000	Short leasehold property £'000	Plant and equipment £'000	
At 25 January 2009	17,359	15,834	269,415	302,608
Additions	–	33	1,368	1,401
Disposals	–	(14,758)	(149,094)	(163,852)
At 31 January 2010	17,359	1,109	121,689	140,157
Additions	–	18	2,332	2,350
Disposals	–	(39)	(2,292)	(2,331)
At 30 January 2011	17,359	1,088	121,729	140,176
Accumulated depreciation				
At 25 January 2009	3,511	8,294	145,445	157,250
Charge for the period	339	134	9,415	9,888
Impairment	–	(4,464)	(44,796)	(49,260)
Eliminated on disposals	–	(3,512)	(34,176)	(37,688)
At 31 January 2010	3,850	452	75,888	80,190
Charge for the period	333	47	7,261	7,641
Impairment	–	65	3,416	3,481
Eliminated on disposals	–	(31)	(1,870)	(1,901)
At 30 January 2011	4,183	533	84,695	89,411
Carrying amount				
At 30 January 2011	13,176	555	37,034	50,765
At 31 January 2010	13,509	657	45,801	59,967

The impairment loss on short leasehold property and plant and equipment arose in connection with the operating losses and post period end restructuring of the property portfolio. This resulted in an impairment charge of £3,481,000 (2010: £nil). The recoverable value was identified as the value in use of £50,765,000.

17. Investments

Investments in subsidiaries

	Company £'000
Cost	
At 31 January 2010 and 30 January 2011	303,171
Accumulated provision for impairment	
At 31 January 2010	(134,597)
Charge for the period	(147,680)
At 30 January 2011	(282,227)
Carrying amount	
At 30 January 2011	20,894
At 31 January 2010	168,574

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

17. Investments (continued)

The carrying value of investments in subsidiary undertakings has been reviewed for impairment at 30 January 2011. This review was carried out by making a comparison of the present value of the future pre-tax cash flows of the retail operating units within the subsidiary undertakings, to the value of those subsidiary undertakings in the Company statement of financial position. A discount rate was used that reflects current market assessments of the time value of money and a weighted average cost of capital of 16.0 per cent (2010: 5.49 per cent). Following the impairment review, an impairment charge was found to be necessary at 30 January 2011 of £147,680,000 (2010: £nil).

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

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

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

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

18. Inventories

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Goods for resale	52,725	68,582	45,204	56,702

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

19. Trade and other receivables

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Trade receivables	1,393	3,867	1,269	3,570
Allowance for doubtful debts	(945)	(2,824)	(889)	(2,654)
	448	1,043	380	916
Other receivables and prepayments	8,629	25,250	7,216	21,080
Amounts owed by subsidiary undertakings	–	–	4,152	4,152
Value added tax	–	–	678	–
	9,077	26,293	12,426	26,148

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

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

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

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

19. Trade and other receivables (continued)

During the 52 weeks to 30 January 2011, special precautions were taken to minimise the credit risk associated with gift voucher companies as a result of trading experience with other such companies in earlier years.

The ageing of trade receivables are as follows:

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Neither past due nor impaired:				
0-30 days	233	701	197	609
Past due but not impaired:				
30-60 days	10	51	9	46
60-90 days	30	45	–	39
90-120 days	86	(155)	81	(158)
120+ days	89	401	93	380
Past due and impaired:				
120+ days	945	2,824	889	2,654
Total	1,393	3,867	1,269	3,570

Of the trade receivables for the Group, 16.7 per cent (2010: 18.1 per cent) and for the Company 15.5 per cent (2010: 17.0 per cent) are neither past due nor impaired.

Included in trade receivables at 30 January 2011 are debtors with a carrying amount for the Group of £215,000 (2010: £342,000) and for the Company of £183,000 (2010: £307,000) which are past due at that date, for which the Group has not made any provision for an irrecoverable amount because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The movements in the allowance for doubtful debts are as follows:

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Balance at the beginning of the period	2,824	2,323	2,654	2,155
Impairment provision created	–	501	–	499
Impairment provision utilised	(1,879)	–	(1,765)	–
Balance at the end of the period	945	2,824	889	2,654

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance for the Group of £221,000 (2010: £719,000) and for the Company £79,000 (2010: £580,000) which have been placed into liquidation. The impairment which has been recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

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

20. Current asset investments

	Group and Company	
	30 January 2011 £'000	31 January 2010 £'000
Loans and receivables		
Loan note deposit	–	168,117

The Loan note deposit represented a bank balance which acted as security for the Loan notes which were included within current liabilities in the Consolidated statement of financial position for 53 weeks to 31 January 2010 and described in note 23 of these Notes to the Financial statements. The Loan notes were repaid on 11 June 2010.

21. Cash and cash equivalents

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Cash at bank and in hand	5,859	25,412	735	16,481
Short term deposits	–	33,400	–	33,400
	5,859	58,812	735	49,881

Short term deposits are made for varying periods of between 1 day and 1 month depending on the cash requirements of the Group, and earn interest at market short-term deposit rates.

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

22. Trade and other payables

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Trade payables	38,471	75,539	44,403	71,521
Other payables and accruals	24,381	25,925	10,307	18,495
Deferred lease incentives (see note 26)	3,410	3,398	3,225	3,219
Amounts owed to subsidiary undertakings	–	–	153,857	171,685
Value added tax	450	–	–	–
Payroll and social security taxes	1,672	1,294	1,627	1,244
	68,384	106,156	213,419	266,164

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 days (2010: 80 days).

No interest is charged on the trade payables outstanding balances.

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

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

23. Borrowings

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Loan notes	–	168,117	–	168,117
Bank loans	24,678	–	24,678	–
	24,678	168,117	24,678	168,117
Total borrowings				
Amount due for settlement within 12 months	–	168,117	–	168,117
Amount due for settlement within 1-2 years	24,678	–	24,678	–

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

Loan notes were issued to the vendors of Blane Leisure Limited (Sports Division) in September 1998, as part of the consideration for the acquisition of that Company and its subsidiaries, under an instrument which provided that the Loan notes were redeemable on any quarterly interest payment dates after 11 June 1999. By a Deed of Variation dated 26 February 2001, the maturity date up to which the Loan notes could be redeemed was extended to 28 April 2011. The Loan notes were redeemed on 11 June 2010.

Bank of Scotland (“BoS”) Facility

A number of amendments have been made to the terms of the BoS Facility during and subsequent to the financial year as follows:

- > On 31 March 2010, the financial covenant tests in the BoS Facility were amended so that the covenant tests were focused on current and future trading rather than historical information, providing greater financial flexibility for the Company. The margin in respect of the BoS Facility was amended such that it varies from 2.5 per cent per annum to 5 per cent per annum depending on a fixed charge cover calculation;
- > On 27 September 2010, in connection with the publication of the 2010 Interim Report, in order to enable the Directors to conclude with greater certainty that the Group could continue as a going concern, the Company and BoS agreed that the EBITDAR covenant would not be tested on 31 October 2010 but would next be tested on 31 January 2011, together with the first testing of the fixed charge cover covenant. It was also agreed to include a clean down test whereby the Company was to ensure that the amount of loans outstanding would not exceed the sum of cleared balances held in account with BoS for a specified minimum number of days;
- > On 23 December 2010, the Company and BoS agreed the terms of a waiver of the EBITDAR and fixed charged cover ratio tests scheduled for 31 January 2011 and a deferral of the clean down test for the 52 week period ended 30 January 2011 which was required to be satisfied between 1 January 2011 and 31 January 2011; and
- > There have been a number of further amendments to the Group's banking facility post period end. Further details are disclosed in note 44 of these Notes to the Financial statements.

23. Borrowings (continued)

BoS Warrant Instrument

In consideration for the provision of the continuing support of BoS, the Company entered into the BoS Warrant Instrument with Uberior Trading Limited (an affiliate of BoS) on 4 April 2009. Pursuant to the BoS Warrant Instrument, the Company issued warrants to subscribe for 11,287,434 New Ordinary Shares of 5 pence each to the BoS Warranholder on 3 June 2009. The issue of BoS Warrants was approved by Shareholders at a general meeting held on 29 April 2009.

The BoS Warrants are not listed or traded on any recognised investment exchange or stock exchange. The BoS Warranholder is entitled to exercise the BoS Warrants and subscribe for New Ordinary Shares at any time between the start date of the exercise period, being 4 July 2009, and the maturity date of the BoS Facility, being 30 September 2012 or later if the BoS Facility is extended or refinanced within the lending group. As the Capital Raising proceeds have been received and the Amended BoS Facility has become effective, the end date for the exercise period has been adjusted accordingly to 31 May 2014. The subscription price per share will be equal to the average market price for the 60 day period beginning 30 days before 3 June 2009 and ending 30 days after that date. On 12 October 2009, the Company and the BoS Warranholder agreed that the subscription price resulting from this formula is 30.90 pence for each New Ordinary Share. The BoS Warranholder may request the Company to purchase and cancel the BoS Warrants at any time after the first anniversary of the start date of the exercise period. The Company may agree to this purchase of the BoS Warrants in its absolute discretion.

As a result of the Capital Reorganisation, the number of Ordinary Shares that the BoS Warranholder is entitled to subscribe for and the relevant subscription price was adjusted. With effect from completion of the February 2011 Capital Raising and Capital Reorganisation on 21 February 2011, the BoS Warranholder is entitled to subscribe for 1,128,743 Ordinary Shares at a subscription price of 309 pence per Ordinary Share.

The weighted average interest rate paid by both Group and Company was as follows:

	Group and Company	
	30 January 2011 %	31 January 2010 %
Loan notes	–	0.8
Bank loans	5.6	3.1

Undrawn borrowing facilities

At 30 January 2011, the Group had an undrawn committed borrowing facility of £nil (2010: £25 million), in respect of which all conditions precedent had been met, against the BoS £25 million facility.

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

24. Provisions

Current liabilities

	Vacant stores provision £'000	Retail store restructuring provision £'000	CVA provision £'000	Dilapidations provision £'000	Onerous leases £'000	Total £'000
Group						
At 25 January 2009	4,171	26,843	–	1,390	–	32,404
Created in the period	2,177	3,957	10,000	220	–	16,354
Utilised in the period	(3,554)	(7,327)	(10,000)	(436)	–	(21,317)
Released in the period	(473)	(17,573)	–	(338)	–	(18,384)
At 31 January 2010	2,321	5,900	–	836	–	9,057
Reclassification to non-current liabilities	–	(3,157)	–	–	–	(3,157)
Created in the period	193	23	–	2,395	562	3,173
Utilised in the period	–	–	–	(60)	–	(60)
Released in the period	(1,095)	(1,187)	–	(95)	–	(2,377)
At 30 January 2011	1,419	1,579	–	3,076	562	6,636
Company						
At 25 January 2009	3,428	20,370	–	1,055	–	24,853
Created in the period	1,482	2,859	7,356	220	–	11,917
Utilised in the period	(2,560)	(5,213)	(7,356)	(286)	–	(15,415)
Released in the period	(570)	(13,749)	–	(263)	–	(14,582)
At 31 January 2010	1,780	4,267	–	726	–	6,773
Reclassification to non-current liabilities	–	(2,424)	–	–	–	(2,424)
Created in the period	190	9	–	1,418	–	1,617
Utilised in the period	–	–	–	(60)	–	(60)
Released in the period	(973)	(929)	–	(85)	–	(1,987)
At 30 January 2011	997	923	–	1,999	–	3,919

24. Provisions (continued)

Non-current liabilities

	Vacant stores provision £'000	Retail store restructuring provision £'000	Onerous leases £'000	Total £'000
Group				
At 25 January 2009	5,786	–	–	5,786
Created in the period	3,326	–	–	3,326
Released in the period	(6,432)	–	–	(6,432)
At 31 January 2010	2,680	–	–	2,680
Reclassification from current liabilities	–	3,157	–	3,157
Created in the period	4,824	4,884	278	9,986
Utilised in the period	(1,338)	(1,756)	–	(3,094)
Released in the period	(1,041)	(812)	–	(1,853)
At 30 January 2011	5,125	5,473	278	10,876
Company				
At 25 January 2009	5,010	–	–	5,010
Created in the period	2,941	–	–	2,941
Released in the period	(5,675)	–	–	(5,675)
At 31 January 2010	2,276	–	–	2,276
Reclassification from current liabilities	–	2,424	–	2,424
Created in the period	3,217	2,532	–	5,749
Utilised in the period	(746)	(1,219)	–	(1,965)
Released in the period	(980)	(567)	–	(1,547)
At 30 January 2011	3,767	3,170	–	6,937

The vacant stores provisions represent the estimated costs expected to be incurred in exiting the relevant lease agreements.

The retail store restructuring provision relates to the direct expenditure expected to be incurred in closing the stores which the Group, prior to the 27 January 2008 period end, was committed to cease trading from before the end of April 2008, following a review of the then existing store portfolio. The provision comprises the costs expected to be incurred in exiting the relevant lease agreements and also ongoing rents and rates.

The dilapidations provision is the best estimate of the present value of expenditure expected to be incurred by the Group and Company in order to restore its leasehold premises to the condition required under the individual lease agreements at the end of their term.

The onerous lease provision represents the direct expenditure expected to be incurred on one of the remaining two soccerdomes in Eire, up to the date a dispute with the existing tenant is forecast to be settled, estimated at 20 months. The provision comprises the costs expected to be incurred during the dispute, together with the ongoing overhead expenses, including rent and rates. No rental income is currently being received from the site.

Current liability provisions are expected to be settled during the 52 weeks to 29 January 2012; the non-current liability provisions are expected to be settled after this date.

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

25. Deferred tax

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

	Group £'000	Company £'000
Accelerated capital allowances		
At 25 January 2009	2,682	2,787
Depreciation in excess of capital allowances	(2,560)	(2,732)
Recognised losses	(762)	(55)
Prior year adjustments	381	–
Released tax losses against tax received	270	–
Exchange differences	(11)	–
At 31 January 2010	–	–
Depreciation in excess of capital allowances	9,728	9,481
Recognised losses	(9,728)	(9,481)
At 30 January 2011	–	–

At the Consolidated statement of financial position date, the Group had gross unused tax losses of £160 million (2010: £95.5 million) available for offset against future profits.

No deferred tax has been recognised in respect of losses exceeding capital allowances in excess of depreciation of £121.5 million gross loss (2010: £51.3 million).

The Group has unrecognised capital losses of £19.3 million (2010: £18 million) available to set off against future capital gains.

The Government announced in June 2010 that it intended to reduce the rate of corporation tax from 28 per cent to 24 per cent over four years, and Finance Act 2010, which was substantively enacted in July 2010, included provisions to reduce the rate of corporation tax to 27 per cent with effect from 1 April 2011.

On 23 March 2011 the government announced that it intended to further reduce the rate of corporation tax to 26 per cent with effect from 1 April 2011 and then by 1 per cent per annum to 23 per cent by April 2014.

26. Deferred lease incentives

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Current liabilities, to be released within 1 year (see note 22)	3,410	3,398	3,225	3,219
Non-current liabilities, to be released after more than 1 year	11,733	13,849	9,629	11,379

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

27. Share capital

Issued share capital

	Group and Company	
	£'000	Number Thousands
Allotted, called up and fully paid:		
At 25 January 2009	12,542	250,832
Firm Placing and Placing and Open Offer (Oct 2009)	20,000	400,000
At 31 January 2010 and 30 January 2011	32,542	650,832

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

The Company has issued Warrants to subscribe for Ordinary Shares. Details are in note 23 and 44 of these Notes to the Financial statements.

Following the First Firm Placing and Placing and Open Offer during February 2011, a Capital Reorganisation was carried out by the Company on a one Ordinary Share for ten Ordinary Shares basis (see note 44 of these Notes to the Financial statements). The current issued share capital, comprises 293,312,703 shares with a value of £34,824,000 after taking into account the Second Firm Placing and Placing and Open Offer during April 2011.

28. Share based payments

(a) Share option schemes

The Company has outstanding options under the following schemes:

	Date of grant	Number of Ordinary Shares of 5p each at 30 January 2011	Number of Ordinary Shares of 5p each at 31 January 2010	Exercise price per share	Exercise expiry date
(i) 1999 Unapproved scheme	12 October 2002	–	250,000	150.20p	11.10.12
	26 May 2004	–	650,000	253.00p	25.05.14
	23 November 2004	542,942	542,942	200.75p	22.11.14
(ii) 1999 Inland Revenue Approved scheme	23 November 2004	328,746	328,746	200.75p	22.11.14
(iii) 2006 Unapproved scheme	09 October 2008	56,256	56,256	19.00p	08.10.18
(iv) 2006 Long term incentive plan	05 November 2009	7,355,885	23,690,276	–	04.12.19
	02 June 2010	8,000,000	–	–	01.07.20

Note: Number of Ordinary Shares above will subsequently be disclosed to take account of the Capital Reorganisation.

The exercise of options under the 1999 Unapproved scheme, the 1999 Inland Revenue Approved scheme and the 2006 Unapproved scheme are subject to performance conditions that require various specified growths in earnings per Ordinary Share over a three year period. In respect of the 2006 Long term incentive plan, the exercise of the award is subject to a total shareholder return performance target, represented by share price plus dividends reinvested from the day of entitlement. The number of options exercisable is directly linked to the relevant percentage rise in total shareholder return over a three year vesting period.

The details of options granted to the Executive Directors under all these schemes, are set out in the Directors' Remuneration report on page 32 of the Annual Report and are included in the above figures.

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

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

28. Share based payments (continued)

(a) Share option schemes (continued)

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

	30 January 2011		31 January 2010	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Outstanding at the start of the period	25,518,220	14.72p	6,591,964	137.67p
Granted during the period	9,714,285	–	23,690,276	–
Forfeited during the period	(18,948,676)	10.66p	(4,764,020)	111.60p
Outstanding at the end of the period	16,283,829	10.68p	25,518,220	14.72p
Exercisable at the end of the period	–	–	–	–

Note: Number of Ordinary Shares above will subsequently be disclosed to take account of the Capital Reorganisation.

The options outstanding at 30 January 2011 have an exercise price in the range of £nil to 200.75 pence (pre Capital Reorganisation) and a weighted average remaining contracted life of 8.8 years.

The share price during the accounting period of 52 weeks to 30 January 2011 ranged between 3.75 pence and 24.4 pence and the closing mid market price at Friday 28 January 2011 was 4.39 pence. The total credit to the Consolidated statement of financial performance for the 52 weeks to 30 January 2011 relating to employee share based payments was £2,545,000 (2010: £402,000). A credit of £nil (2010: £589,000) was released directly to equity during the accounting period.

The fair value of options granted during the period, have been calculated using the Black-Scholes pricing model assuming the inputs shown below:

	30 January 2011	31 January 2010
Weighted average fair value at measurement date per option (pence)	16.06p	30.00p
Weighted average share price at date of grant (pence)	16.06p	30.00p
Weighted average exercise price (pence)	0.00p	0.00p
Expected volatility (pence)	6.05p	8.56p
Weighted average expected option life (years)	1.91 years	2.80 years
Expected dividend yield (per cent)	0.00%	0.00%
Risk free interest rate (per cent)	0.50%	0.50%

The expected volatility of every option is based upon the standard deviation of the Company's share data about the Mean, in respect of share price movements during the previous accounting period. The expected option life is the average period to exercise. The risk free interest rate is based upon the Bank of England base borrowing rate.

28. Share based payments (continued)

(b) Sharesave plans

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

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

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

	Number of options	Weighted average exercise price
Outstanding at 25 January 2009	542,287	169.00p
Forfeited	(456,224)	169.00p
Outstanding at 31 January 2010	86,063	169.00p
Granted	6,273,757	23.20p
Forfeited	(5,548,437)	24.05p
Outstanding at 30 January 2011	811,383	32.84p

Number of options above will subsequently be disclosed to take account of the Capital Reorganisation of 1 for 10 Ordinary Shares.

At 31 January 2011, the options under the 2007 Sharesave plan offered in September 2007, comprised 44,521 Ordinary Shares with an option expiry date of 1 November 2010 and 9,143 Ordinary Shares with an option expiry date of 1 November 2012.

The options under the 2007 Sharesave plan offered in November 2009, comprised 757,719 Ordinary Shares with an option expiry date of 31 January 2013.

There were no options under the 2007 Sharesave plan, offered in November 2010, as at 30 January 2011.

The details of options under the 2007 Sharesave plan taken up by the Executive Directors are set out in the Directors' Remuneration report on page 32 of the Annual Report.

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

29. Share premium account

	Group and Company £'000
Balance at 25 January 2009	174,055
Premium on Firm Placing and Placing and Open Offer (October 2009)	73,428
Transfer to retained earnings (see note 34)	(73,428)
Balance at 31 January 2010 and 30 January 2011	174,055

The premium on the Firm Placing and Placing and Open Offer in 2009 is taken after the deduction of transaction costs of £6.6 million, principally due to commissions and professional charges. The premium on the 2011 Capital raisings will be treated consistently.

30. Capital redemption reserve

	Group and Company £'000
Balance at 31 January 2010 and 30 January 2011	1,069

31. Investment in own shares

	Group and Company £'000
Balance at 31 January 2010 and 30 January 2011	3,083

The investment in own shares represents the cost of 1,695,712 Ordinary Shares (pre Capital Reorganisation) in the Company purchased in the market in August 2006 at 181.83 pence and held by the JJB Sports plc Employee Benefit Trust to be used to satisfy options granted under the Group's Long Term Incentive Plan, see note 28a of these Notes to the Financial statements.

32. Share based payment reserve

	Group and Company £'000
Balance at 25 January 2009	635
Charged in the period	402
Released direct to equity	(589)
Balance at 31 January 2010	448
Charged in the period	2,545
Balance at 30 January 2011	2,993

The Share based payment reserve represents the fair value of options, at grant date, in accordance with IFRS 2 'Share based payments' (see note 28 of these Notes to the Financial statements).

33. Foreign currency translation reserve

	Group and Company £'000
Balance at 25 January 2009	338
Exchange differences on translation of foreign operations	(379)
Balance at 31 January 2010	(41)
Exchange differences on translation of foreign operations	(662)
Balance at 30 January 2011	(703)

34. Retained earnings

	Group £'000	Company £'000
Balance at 25 January 2009	(925)	(147,395)
Dividends Repaid	54	54
Realised gain following Firm Placing and Placing and Open Offer	73,428	73,428
Credit recognised directly in equity	589	589
Loss after taxation for the period	(54,583)	(37,183)
Balance at 31 January 2010	18,563	(110,507)
Loss after taxation for the period	(181,365)	(205,565)
Balance at 30 January 2011	(162,802)	(316,072)

The realised gain arose from a Firm Placing and Placing and Open Offer during October and November 2009. Within these arrangements, the company issued shares in exchange for Ordinary Shares and redeemable preference shares in Cove Capital (Jersey) Limited. No share premium was recorded in the Company Financial statements through the operation of the merger relief provisions of the Companies Act 2006.

The realised gain was taken after the deduction of transaction costs of £6.6 million, principally as a result of commissions and professional charges.

The subsequent redemption of these shares gave rise to distributable profits of £73.4 million which have been transferred from merger reserve to retained earnings.

35. Profit from discontinued operations

On 25 March 2009, the Company completed the disposal of its fitness club business to Dave Whelan Sports Limited. The 53 fitness clubs, attached stores and related stock were sold for an approximate total cash consideration of £83.4 million. This comprised approximately £38 million of initial consideration, subject to completion adjustment, paid to the Company on 25 March 2009, approximately £41 million of deferred consideration paid into an escrow account on 16 April 2009 and approximately £9.5 million of consideration for the stock in the fitness clubs business paid on 1 May 2009 subject to certain adjustments.

The fitness club element of the disposal meets the criteria of IFRS 5 'Assets Held for Resale and Discontinued Items' and qualifies for separate disclosure. The attached retail stores which were also disposed do not meet the criteria and were included within the 'Other items' column on the face of the Consolidated statement of financial performance for the 53 weeks to 31 January 2010.

The disposal was effected in order to generate cash flow in conjunction with the bank restructuring at that time.

The deferred consideration of approximately £41 million (less certain expenses) was progressively released to the Company from an escrow account on assignment of the leases to Dave Whelan Sports Limited. The leases on the relevant properties have been assigned to the purchaser where possible, resulting in receipt of some of the deferred consideration. As at 30 January 2011, there was one lease awaiting assignment.

For the leases that were assigned, deferred lease incentives of £26.2 million were released to the Consolidated statement of financial performance in the 53 weeks to 31 January 2010, of which £7.6 million (net of taxation) related to fitness clubs.

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

35. Profit from discontinued operations (continued)

The results of the discontinued operations which have been included in the Consolidated statement of financial performance were as follows:

	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Revenue	-	11,227
Expenses	-	(11,591)
Loss before tax	-	(364)
Attributable tax expense	-	(426)
	-	(790)
Loss on disposal of property, plant and equipment	-	(358)
Attributable tax income	-	100
	-	(1,048)
Release of deferred lease incentives	-	10,530
Attributable tax expense	-	(2,948)
Profit from discontinued operations	-	6,534
		25 March 2009 £'000
Property, plant and equipment		123,609
Inventories		9,602
Trade receivables		935
Bank balances and cash		55
Trade payables		(2,994)
		131,207
Impairment made at 31 January 2010		(49,260)
Loss on disposal		(2,680)
Total consideration		83,437
Less deduction re working capital		(4,170)
		79,267
Satisfied by:		
Cash		38,250
Deferred consideration		41,017
		79,267
Net cash inflow arising on disposal:		
Cash consideration		38,250
Cash disposed of		(55)
		38,195

36. Contingent liabilities

OFT

As announced on 10 September 2009, the Company is assisting the Office of Fair Trading (the "OFT") with an investigation it is carrying out in the sports retail market. OFT officers visited the Company's offices in Wigan on 10 September 2009 as part of this investigation. The investigation follows an approach that the Company made to the OFT on 30 January 2009 for immunity pursuant to the OFT leniency programme in relation to a suspect agreement or concerted practice to dampen competition in the sports retail market during the period from 8 June 2007 to 25 March 2009, being the period in which the former Chief Executive, Christopher Ronnie, was employed by the Company. On 24 August 2009, the OFT confirmed the grant of a marker for "Type A" immunity to the Company in respect of the suspected cartel activity in the period from 8 June 2007 to 25 March 2009. The OFT will only be in a position to decide whether or not to issue an infringement decision in the event it has sufficient evidence to complete its investigation. This process may take up to a number of years. However, if the OFT were to complete its investigation, decide that the Company has infringed UK Competition Law and issue an infringement decision, the grant of the marker in favour of the Company means that it would receive full immunity from any financial penalty that would otherwise be imposed by the OFT.

Further to the above, the grant of the marker and the availability of immunity is subject to the Company complying with the OFT's standard immunity conditions, including continuous and complete co-operation with the OFT, a requirement to refrain from further participation in the suspected cartel and a duty not to act in bad faith. In addition, in order for the Company to retain the marker it is also necessary that the strength of the evidence provided by the Company to the OFT is not materially undermined by any statements given by implicated current or former employees or officers such that there is no sufficient basis for the OFT to take forward a credible investigation. In the event that the marker, or any subsequent immunity agreement, is withdrawn as a result of the Company's non compliance with the conditions or as a result of the Company's evidence being materially undermined as described above, and an infringement decision is issued by the OFT, the Company may be liable for a fine from the OFT up to a maximum amount of 10 per cent of the Group's turnover. Given compliance with the conditions set out above is within the Company's control and based on the information and co-operation provided to the OFT, the Directors believe that the risk of the marker, or any subsequent immunity, being withdrawn is low. Further, even if the evidence provided by Company to the OFT is subsequently undermined by any statements by implicated current or former employees or officers of the Company, the Directors consider it unlikely that this would be to such an extent that it could be said that there was no sufficient basis for the OFT to take forward a credible investigation.

Notwithstanding the grant of the marker, and the availability of immunity for the Company, the Company may still be liable for third party claims that may arise as a direct result of the conduct in the period from 8 June 2007 to 25 March 2009. Whilst the Company cannot rule out the risk of any third party claims for damages, the Directors believe that the risk of a successful third party claim being made is low and, even if a successful third party claim is made, any financial impact arising from the matters under investigation, even in circumstances where the OFT were to proceed and issue an infringement decision in respect of any cartel activity, is unlikely to be material on the Group.

Accordingly, no provision has been made for potential claims against the Company in these accounts.

CVA

As part of the compromise of the claim of the landlords within the April 2011 CVA (see note 44 of these Notes to the Financial statements), the Company has agreed to the creation of a Compromised Lease Fund to affected landlords.

This payment will become payable after the Fund Trigger Date, being the earlier of 24 April 2013, the date the equity shares of JJB cease to be listed and traded on any recognised stock exchange (excepting the recent transfer to the AIM) and the unconditional date of an offer made for the Company.

The total amount payable by the Company will be between £2.5 million and £7.5 million, the amount determined by comparing the value of the Market Capitalisation of the Company on the Fund Trigger Date to the amount of the Target Equity Raising. This payment can be in cash or shares, at the discretion of the Company. Accordingly, no provision has been made in these Financial statements. Please refer to the CVA proposals document dated 3 March 2011 for full details and defined terms.

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

37. Reconciliation of operating loss to net cash from operating activities

	Group	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Operating loss from continuing operations	(181,812)	(67,312)
Depreciation of property, plant and equipment	9,269	11,700
Amortisation of other intangible assets	3,294	3,339
Impairment of goodwill	92,610	–
Net loss (gain) on disposal of property, plant and equipment	582	(256)
Net loss on disposal of property, plant and equipment within leisure division	–	358
Net loss on disposal of intangible assets	–	31
Impairment of fixed assets of CVA stores	3,841	–
Increase (decrease) in provisions	5,775	(26,453)
Share based payment reserve	2,545	(187)
Release from share based payment reserve taken directly to equity	–	589
Impairment of loan and investment in associated undertaking	–	125
Bank loan costs	(125)	(218)
Gain from discontinued operations	–	6,534
Tax attributable to discontinued operations	–	3,274
Operating cash flow before movements in working capital	(64,021)	(68,476)
Decrease (increase) in inventories	15,858	(5,114)
Decrease in trade and other receivables	15,982	16,140
Decrease in trade and other payables	(39,904)	(23,424)
Cash used in operations	(72,085)	(80,874)
Taxation	190	(149)
Net cash outflow from operating activities	(71,895)	(81,023)

37. Reconciliation of operating loss to net cash from operating activities (continued)

	Company	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Operating loss from continuing operations	(205,871)	(41,398)
Depreciation of property, plant and equipment	7,641	9,888
Amortisation of other intangible assets	3,294	3,339
Impairment of investment in subsidiary	147,680	–
Net loss on disposal of property, plant and equipment	275	358
Net loss on disposal of intangible assets	–	31
Impairment of fixed assets of CVA stores	3,481	–
Impairment of loan and investment in associated undertaking	–	125
Bank loan costs	(125)	(218)
Increase (decrease) in provisions	1,807	(20,814)
Share based payment reserve	2,545	(187)
Release from share based payment reserve taken directly to equity	–	589
Operating cash flow before movements in working capital	(39,273)	(48,287)
Decrease (increase) in inventories	11,498	(4,127)
Decrease in trade and other receivables	12,487	9,632
Decrease in payables	(54,626)	(44,983)
Cash used in operations	(69,914)	(87,765)
Taxation	(493)	1,805
Net cash outflow from operating activities	(70,407)	(85,960)

38. Analysis of net funds (debt)

	Group			At 30 January 2011 £'000
	At 31 January 2010 £'000	Cash flow £'000	Other non-cash items £'000	
Current asset investment	168,117	(168,117)	–	–
Cash and cash equivalents	58,812	(52,363)	(590)	5,859
	226,929	(220,480)	(590)	5,859
Current liability				
Loan notes	(168,117)	168,117	–	–
Non-current liability				
Bank loans	–	(25,000)	322	(24,678)
Net funds (debt)	58,812	(77,363)	(268)	(18,819)

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

38. Analysis of net funds (debt) (continued)

	Company			At 30 January 2011 £'000
	At 31 January 2010 £'000	Cash flow £'000	Other non-cash items £'000	
Current asset investment	168,117	(168,117)	–	–
Cash and cash equivalents	49,881	(49,146)	–	735
	217,998	(217,263)	–	735
Current liability				
Loan notes	(168,117)	168,117	–	–
Non-current liability				
Bank loans	–	(25,000)	322	(24,678)
Net funds (debt)	49,881	(74,146)	322	(23,943)

39. Capital commitments

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Capital commitments	–	2,500	–	2,500

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

40. Operating lease arrangements

(a) The Group and Company as lessee

The Group and the Company have entered into non-cancellable operating leases in respect of certain land and buildings. The rentals charged to the Group for the accounting period were £52,303,000 (2010: £55,889,000) and for the Company were £34,993,000 (2010: £37,641,000). In addition all insurance, maintenance and repairs are paid on these properties.

The Group and the Company have entered into non-cancellable operating leases in respect of plant and equipment. The annual rentals charged to the Group for the accounting period were £700,000 (2010: £1,765,000) and for the Company were £577,000 (2010: £1,581,000).

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

	Land and buildings 30 January 2011 £'000	Land and buildings 31 January 2010 £'000	Plant and equipment 30 January 2011 £'000	Plant and equipment 31 January 2010 £'000
Group				
Operating leases which expire:				
Within 1 year	56,377	57,327	203	467
In the second to fifth year inclusive	209,714	215,305	–	186
After 5 years	307,342	357,415	–	–
	573,433	630,047	203	653

40. Operating lease arrangements (continued)

(a) The Group and Company as lessee (continued)

	Land and buildings 30 January 2011 £'000	Land and buildings 31 January 2010 £'000	Plant and equipment 30 January 2011 £'000	Plant and equipment 31 January 2010 £'000
Company				
Operating leases which expire:				
Within 1 year	38,456	39,175	179	387
In the second to fifth year inclusive	141,970	145,895	–	186
After 5 years	213,524	246,059	–	–
	393,950	431,129	179	573

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

Included in the outstanding commitments for future minimum lease payments on land and buildings are commitments relating to the leases on those retail stores which were closed in April 2008 as a result of the restructuring of the retail store chain, referred to in note 24 of these Notes to the Financial statements.

The outstanding commitments for future minimum lease payments on land and buildings also include commitments relating to leases due to be closed under the CVA fully implemented on 27 April 2011 (see note 44 of these Notes to the Financial statements).

(b) The Group and Company as lessor

The leases on certain stand-alone retail stores which are no longer operated by the Group have been sub-let to third parties. The property rental income received during the accounting period for the Group was £965,000 (2010: £1,903,000) and for the Company was £99,000 (2010: £916,000). The Group's sub-let properties have average remaining lease commitments of six years.

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

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Operating leases which expire:				
Within 1 year	695	588	78	113
In the second to fifth years inclusive	1,314	1,242	–	–
After 5 years	1,303	1,252	–	–
	3,312	3,082	78	113

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

41. Financial instruments

(a) Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23 of these Notes to the Financial statements, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in notes 27 to 34 of these Notes to the Financial statements.

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

The Board reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 January 2011 was 9.2 per cent (see below).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in the Statement of accounting policies on pages 44 to 52 of these Financial statements.

(b) Gearing ratio

The gearing ratio at the period end is as follows:

	30 January 2011 £'000	31 January 2010 £'000
Debt	(24,678)	–
Cash and cash equivalents	5,859	58,812
Net debt	(18,819)	58,812
Equity	204,583	204,583
Net debt to equity ratio	9.2%	0%

Debt is defined as long and short term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 23 of these Notes to the Financial statements.

Equity includes all capital and reserves of the Group that are managed as capital.

(c) Categories of financial instruments

	Group		Company	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Financial assets				
Investments in subsidiaries	–	–	20,864	168,574
Loans and receivables	9,077	194,410	19,311	194,265
Cash and cash equivalents	5,859	58,812	735	49,881
Financial liabilities				
Amortised cost	68,497	276,305	220,417	436,313

41. Financial instruments (continued)

(d) Financial risk management objectives

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

The use of financial derivatives is governed by the Group's and Company's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis. The Group and Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(e) Market risk

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

(f) Foreign currency risk management

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

(g) Interest rate risk management

The Group and Company finance their operations through a revolving bank credit facility. The revolving bank credit facility was arranged at interest rates fixed to LIBOR and therefore the Group and Company is exposed to interest rate risk on these borrowings. No interest rate hedging agreement is currently in place because given the level of borrowings and the current interest rate environment, the Board does not consider fluctuations in interest rates to pose a significant risk to the Group and Company. The Group's and Company's financing arrangements have changed since the period end as set out in events after the Statement of financial position in note 44 of these Notes to the Financial statements.

The Group's and Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this Note to the Financial statements, note 41(j).

If interest rates on the financial assets and financial liabilities had been 50 bps higher and all other variables were held constant, the Group's loss before tax for the 52 weeks to 30 January 2011 would have increased by £8,000 (2010: decreased by £167,000) and for the Company it would have increased by £8,000 (2010: decreased by £175,000). If interest rates had been 50 bps lower and all other variables were held constant, the Group's loss before tax for the 52 weeks to 30 January 2011 would have decreased by £8,000 (2010: increased by £167,000) and for the Company it would have decreased by £8,000 (2010: increased by £175,000). This is attributable to the Group's and Company's exposure to interest rates on its variable rate borrowings and deposits.

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. The Group and Company have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group and Company only transact with entities that have a good credit rating. The Group and Company uses publicly available financial information and its own trading records to rate its major customers. The Group's and Company's exposure and the credit ratings of its counterparties are continuously monitored and controlled by the Treasury department. As the principal business of the Group and Company is retail related, trade receivables consist of a relatively small number of customers, although spread across diverse business sectors. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

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

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

41. Financial instruments (continued)

(i) Financial instruments carried at fair value

The fair values of the Groups financial instruments of £113,000 (2010: £2,032,000) are categorised as Level 2, based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The key assumptions involved in the fair value adjustment of the 11.3 million BoS shares were: volatility of 124.3 (2010:169); market interest rate of 1.38 per cent (2010: 1.38 per cent); and an end date of 30 September 2012 (2010: same), resulting in a call option price of 1 pence (2010: 18 pence).

(j) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group and Company has sought to manage liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows. Notwithstanding these measures the adverse trading conditions experienced during 2010 has resulted in significant liquidity problems. The Group's and Company's latest position with regard to borrowings and facilities is set out in note 44 of these Notes to the Financial statements.

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

	Group				Total £'000
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Greater than 5 years £'000	
30 January 2011					
Trade and other payables	68,384	–	–	–	68,384
Bank loans	–	–	24,678	–	24,678
	68,384	–	24,678	–	93,062

	Group				Total £'000
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Greater than 5 years £'000	
31 January 2010					
Trade and other payables	106,156	–	–	–	106,156
Loan notes	168,117	–	–	–	168,117
	274,273	–	–	–	274,273

	Company				Total £'000
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Greater than 5 years £'000	
30 January 2011					
Trade and other payables	213,419	–	–	–	213,419
Bank loans	–	–	24,678	–	24,678
	213,419	–	24,678	–	238,097

	Company				Total £'000
	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Greater than 5 years £'000	
31 January 2010					
Trade and other payables	266,164	–	–	–	266,164
Loan notes	168,117	–	–	–	168,117
	434,281	–	–	–	434,281

42. Retirement benefit schemes

Defined contribution schemes

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

The total cost charged to the Consolidated statement of financial performance for the 52 weeks to 30 January 2011 was £229,000 (2010: £574,000).

43. Related party transactions

(a) Transactions with related parties who are not members of the Group

The Group and Company have entered into the following transactions with related parties who are not members of the Group:

	Income from related parties		Expenditure with related parties	
	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000	52 weeks to 30 January 2011 £'000	53 weeks to 31 January 2010 £'000
Cotton Traders Limited (to 28.07.10)	–	–	304	1,017

	Amounts owed by related parties		Amounts owed to related parties	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Cotton Traders Limited (to 28.07.10)	–	–	8	24

In addition, remuneration has been paid to Directors and key management personnel as set out in the Directors' remuneration report on page 31 of the Annual Report and in note 7 of these Notes to the Financial statements.

Cotton Traders Limited is a Company from which the Group has made purchases, of which David Jones, former Chairman and Non-executive Director of JJB is a Director. David Jones resigned as a Non-executive Director of JJB on 28 July 2010.

(b) Transactions with related parties who are members of the Group

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

During the 52 weeks to 30 January 2011, the Company has supplied product for resale to Blane Leisure Limited of £58,661,000 (2010: £54,694,000), to Sports Division (Eireann) Limited of £2,284,000 (2010: £9,407,000). These transactions are recorded as inter-company transfers and not revenue of the Company. In addition, the Company received a management charge from Blane Leisure Limited of £14,747,000 (2010: £1,950,000) and from Sports Division (Eireann) Limited of £121,000 (2010: £122,000). These balances are settled through inter-company accounts.

As at 30 January 2011, the Company had the following balances outstanding with related parties:

	Amounts owed by subsidiary undertakings		Amounts owed to subsidiary undertakings	
	30 January 2011 £'000	31 January 2010 £'000	30 January 2011 £'000	31 January 2010 £'000
Blane Leisure Limited	–	–	105,404	128,313
Sports Division (Eireann) Limited	–	–	19,009	13,928
Dormant subsidiaries	4,152	4,152	29,444	29,444
	4,152	4,152	153,857	171,685

Financial statements

Notes to the Financial statements continued

For the 52 weeks to 30 January 2011

44. Events after the Statement of financial position date

Since 30 January 2011, there have been the following events.

Changes to the Board

On 2 February 2011, Alan Benzie announced his intention to resign at the 2011 AGM on 8 July.

On 6 April 2011, Richard Manning announced his intention to resign at the 2011 AGM on 8 July.

On 6 May 2011, Richard Bernstein was appointed as a Non-executive Director.

On 17 May 2011, it was announced that Lawrence Christensen would join the Board as a Non-executive Director on 1 November 2011.

First Firm Placing and Placing and Open Offer

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

Capital Reorganisation

In conjunction with the First Firm Placing and Placing and Open Offer (see note above), the Directors effected a Capital Reorganisation in order to provide the Company with flexibility in relation to its capital structure in the future and to seek to reduce the impact of the volatility in the Company's share price. Under the Capital Reorganisation, all existing Ordinary Shares were subdivided and reclassified into one new Ordinary Share of 0.1 pence and one deferred share of 4.9 pence and all newly issued Ordinary Shares were issued as a new Ordinary Share of 0.1p. There was then a consolidation such that all Ordinary Shares of 0.1p were consolidated on a 1 for 10 basis into Ordinary Shares of 1 pence each and all deferred shares were consolidated on a 1 for 10 basis into consolidated deferred shares of 49 pence each. Following the Capital Reorganisation, existing shareholders and shareholders participating in the First Firm Placing and Placing and Open Offer held 1 Ordinary Share and (existing shareholders only) 1 consolidated deferred share for every 10 existing Ordinary Shares held.

Warrants

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

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

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

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

44. Events after the Statement of financial position date (continued)

Company Voluntary Arrangement

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

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

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

Second Firm Placing and Placing and Open Offer

On 6 April 2011, the Company published a further Prospectus detailing a proposal to raise gross proceeds of £65 million through a Firm Placing and Placing and Open Offer involving the issue of 162.5 million new Ordinary Shares at an issue price of 40 pence per new Ordinary Share. This was dependent on the CVA proposals being approved and proceeds being received by 30 June 2011. As noted above, the CVA proposal was approved and the gross proceeds of £65 million were received on 27 April 2011. Full details of the Second Firm Placing and Placing and Open Offer are contained within the Prospectus published on 6 April 2011.

Transfer to AIM

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

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

Amendments to banking facilities

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

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

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

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

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

Financial statements

Five year summary

For the accounting periods ending January

	2011 £'000	2010 £'000	2009 re-presented £'000	2008 £'000	2007 £'000
Group trading results					
Revenue	362,894	372,493	647,784	811,754	810,287
Cost of sales	(238,020)	(230,416)	(351,386)	(405,642)	(425,314)
Gross profit	124,874	142,077	296,398	406,112	384,973
Net operating expenses	(306,686)	(209,389)	(456,031)	(394,817)	(345,952)
Operating (loss) profit from continuing operations	(181,812)	(67,312)	(159,633)	11,295	39,021
Adjusted operating (loss) profit	(73,856)	(67,731)	(20,159)	34,269	47,744
Exceptional items – goodwill impairment	(92,610)	–	(82,275)	–	–
– other exceptional items	(15,346)	419	(57,199)	(22,974)	(8,723)
Operating (loss) profit from continuing operations	(181,812)	(67,312)	(159,633)	11,295	39,021
Investment revenue	512	2,704	10,239	11,551	9,437
Finance costs	(1,162)	(3,685)	(22,704)	(12,442)	(9,965)
Finance costs are stated after charging:					
Exceptional bank arrangement fees and charges	(100)	(500)	(10,974)	–	–
Other gains and losses	–	–	1,989	–	–
Share of results of associated undertaking	–	–	(103)	396	–
Fair value on derivative instruments	1,919	903	–	–	–
Debt issue costs	(822)	(1,202)	–	–	–
(Loss) profit before taxation	(181,365)	(68,592)	(170,212)	10,800	38,493
Taxation	–	7,475	16,429	(1,170)	(12,668)
(Loss) profit after taxation from continuing operations	(181,365)	(61,117)	(153,783)	9,630	25,825
Profit (loss) from discontinued operations	–	6,534	(13,773)	–	–
Profit (loss) from discontinued operations is stated after (charging) crediting:					
Impairment of fitness club fixed assets	–	–	(29,143)	–	–
(Loss) gain on disposal of property, plant and equipment	–	(258)	5,941	–	–
Release of deferred lease incentives	–	7,582	–	–	–
	–	7,324	(23,202)	–	–
(Loss) profit after taxation	(181,365)	(54,583)	(167,556)	9,630	25,825

	2011 £'000	2010 £'000	2009 re-presented £'000	2008 £'000	2007 £'000
Consolidated statement of financial position					
Non-current assets					
Goodwill	13,796	106,406	106,406	187,834	188,459
Other intangible assets	20,175	22,369	24,600	25,417	27,397
Property, plant and equipment	64,859	74,691	162,044	198,272	198,980
Investment in associated undertaking	–	–	750	1,677	–
Loan to associate undertaking	–	–	–	4,000	–
	98,830	203,466	293,800	417,200	414,836
Current assets	67,661	321,978	321,542	372,348	357,970
Current liabilities	(75,133)	(285,362)	(378,349)	(301,647)	(300,028)
Net current (liabilities) assets	(7,472)	36,616	(56,807)	70,701	57,942
Non-current liabilities	(47,287)	(16,529)	(52,362)	(122,846)	(95,752)
Net assets	44,071	223,553	184,631	365,055	377,026
Financed by					
Share capital	32,542	32,542	12,542	11,944	11,892
Share premium account	174,055	174,055	174,055	171,248	169,334
Capital redemption reserve	1,069	1,069	1,069	1,069	1,069
Investment in own shares	(3,083)	(3,083)	(3,083)	(3,083)	(3,083)
Share based payment reserve	2,993	448	635	680	297
Foreign currency translation reserve	(703)	(41)	338	(1,211)	187
Retained earnings	(162,802)	18,563	(925)	184,408	197,330
Equity shareholders' funds	44,071	223,553	184,631	365,055	377,026
Key statistics					
Total dividends paid or proposed	–	–	–	10.00p	10.00p
Basic (loss) earnings per Ordinary Share	(61.83)p	(20.84)p	(54.28)p	4.07p	11.07p
Diluted (loss) earnings per Ordinary Share	(61.83)p	(20.84)p	(54.28)p	4.07p	11.07p
Key performance indicators					
Change in like-for-like revenue	+5.9%	(26.6%)	(5.6%)	+0.2%	+7.5%
Gross margin	+34.4%	+38.1%	+45.8%	+50.0%	+47.5%
Cash flow from operations	(71,895)	(81,023)	37,859	46,349	80,339
Adjusted basic (loss) earnings per Ordinary Share	(26.49)p	(20.36)p	(6.35)p	10.89p	14.21p
Net (debt) funds	(18,819)	58,812	(34,362)	(42,156)	(9,246)
Inventories	52,725	68,582	70,569	114,984	128,082
Retail selling space at period end ('000sq ft)	2,748	2,777	3,674	4,348	4,295
Number of Full Time Equivalent Employees	3,779	4,629	8,123	8,833	8,860

Corporate information

Corporate information

Financial calendar

Preliminary results announced	25 May 2011
Annual General Meeting	8 July 2011
Interim results published	Est. September 2011
End of current accounting period	29 January 2012
Preliminary results announced	Est. April/May 2012

Ordinary shares trading information

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

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

Registrars

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Lines are open 8.30am to 5.30pm Monday to Friday.
(Calls cost 10 pence per minute plus network extras.)

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

Investor relations and Company Secretary

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

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

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

Capita Share Dealing Services offer a quick and easy share dealing service to either buy or sell the Company's shares, either on-line or by telephone at: www.capitadeal.com/ (on-line dealing). Call 0871 664 0364 for telephone dealing. Lines are open 8.00am to 4.30pm Monday to Friday. This is not a recommendation to buy or sell JJB Ordinary Shares. (Calls cost 10 pence per minute plus network extras.)

Company registration

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Directors, Company Secretary and Advisers

Directors

Mike McTighe	(Chairman)
Keith Jones	(Chief Executive Officer)
Dave Williams	(Chief Financial Officer)
Richard Manning	(Legal and Operations Director)
David Adams	(Senior Independent Non-executive Director)
Alan Benzie	(Independent Non-executive Director)
Richard Bernstein	(Non-executive Director)
Sir Matthew Pinsent CBE	(Independent Non-executive Director)

The business address of each of the Directors is Martland Park, Challenge Way, Wigan, Lancashire, WN5 0LD, United Kingdom.

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Richard Manning

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