

JJB SPORTS PLC (THE "COMPANY")

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1. CONSTITUTION

- 1.1 The Committee has been established by resolution of the board of directors of the Company (the "**Board**") and is to be known as the Audit Committee.

2. MEMBERSHIP

- 2.1 The members of the Audit Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the chairman of the Audit Committee (the "Chairman").
- 2.2 The Audit Committee shall consist of at least three members, all of whom are independent non-executive directors. The chairman of the Board may also serve on the Audit Committee as an additional member if he or she was considered independent on appointment as chairman of the Board.
- 2.3 At least one member of the Audit Committee shall have recent and relevant financial experience.
- 2.4 Appointments to the Audit Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
- 2.5 The Board shall appoint a chairman of the Audit Committee (the "**Chairman**"). The Chairman shall be an independent non-executive director and shall not be the chairman of the Board.
- 2.6 The Board shall regularly review the membership of the Audit Committee to ensure that membership is refreshed and undue reliance is not placed on particular individuals as regards membership of the Audit Committee and other Board committees.

3. QUORUM

A quorum shall be two members. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

4. ATTENDANCE AT MEETINGS

- 4.1 No one other than the Chairman, and members, of the Audit Committee is entitled to be present or vote at a meeting of the Audit Committee.
- 4.2 However, other individuals such as the chairman of the Board, chief executive, finance director, other directors, heads of internal audit, risk and compliance, representative of the finance director and a representative of the external auditors may be invited to attend all or part of any meeting as and when appropriate.
- 4.3 The external auditors will be invited to attend meetings of the Audit Committee on a regular basis. There should be at least one meeting, or part of a meeting, each year which the external auditors attend without management present.

5. SECRETARY

The Company Secretary shall act as the secretary of the Audit Committee (the "**Secretary**") and shall keep a record of the membership of and the dates of any changes to the membership of the Audit Committee.

6. FREQUENCY OF MEETINGS

6.1 Meetings shall be held at such times as the Audit Committee deems appropriate, and in any event shall be held not less than three times a year. Where appropriate, meetings should coincide with key dates in the company's financial reporting cycle.

6.2 External auditors or internal auditors may request a meeting if they consider that one is necessary.

7. PROCEEDINGS

7.1 Unless varied by these terms of reference, meetings and proceedings of the Audit Committee will be governed by the Company's Articles of Association regarding the meetings and proceedings of directors.

7.2 Meetings of the Audit Committee shall be summoned by the Secretary at the request of the Chairman or at the request of internal or external auditors.

7.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be sent to each member of the Audit Committee, any other person required to attend and all other non-executive directors not later than 48 hours prior to the date of the meeting.

7.4 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interests and minute them accordingly. The Secretary shall record the proceedings and resolutions of meetings of the Audit Committee, including the names of those present, and shall circulate the minutes of such meetings to all members of the Audit Committee and, once agreed if the Chairman so decides, to all members of the Board, unless a conflict of interest exists.

7.5 In the absence of the Chairman and/or an appointed deputy, those members present shall elect one of their number to chair the meeting.

8. AUTHORITY

8.1 The Audit Committee is authorised by the Board at the expense of the Company to investigate any matter within its terms of reference. It is authorised to seek any information that it requires from any employee in order to perform its duties and all employees are directed to cooperate with any requests made by the Audit Committee.

8.2 The Audit Committee is authorised by the Board at the expense of the Company to obtain external professional advice and to secure the attendance of third parties with relevant experience and expertise at meetings of the Audit Committee if it considers this necessary.

8.3 These terms of reference may be amended from time to time as required, subject to approval by the Board.

9. DUTIES

The responsibilities of the Audit Committee shall be:

External audit

- 9.1.1 To consider and make recommendations to the Board in relation to the appointment and removal of the external auditor and assess independence of the external auditor, ensuring that key partners are rotated at appropriate intervals;
- 9.1.2 To recommend the audit fee to the Board and pre-approve any fees in respect of non-audit services provided by the external auditor and to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity;
- 9.1.3 To ensure that proper disclosure is made in the annual report of how the Audit Committee's policy in relation to non-audit fees paid to auditors adequately safeguards the independence of the auditor and that proper disclosure is made of all fees paid to the external auditor;
- 9.1.4 To discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- 9.1.5 To oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the annual general meeting;
- 9.1.6 If an auditor resigns the Audit Committee shall investigate the issues surrounding the resignation and comply with any legal requirements arising out of the auditor's resignation;
- 9.1.7 To review the external auditor's management letter and any major recommendations of the external auditor and to consider management's response;
- 9.1.8 To approve the external auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 9.1.9 To oversee the relationship with the external auditor, including, assessing their independence and objectivity, monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners and the level of fees paid by the Company, assessing the auditor's qualification, expertise and resources and seeking to ensure co-ordination with the activities of the internal audit function;
- 9.1.10 To meet regularly with the external auditor at least once a year without management being present, including once at the planning stage before the audit and once after the audit at the reporting stage;
- 9.1.11 To review the effectiveness of the audit;
- 9.1.12 To consider the need to include the risk of withdrawal of the Company's external auditor from the market in their risk evaluation and planning;

- 9.1.13 To consider, where appropriate, whether there might be any benefit in using firms from more than one audit network;
- 9.1.14 To explain to shareholders in the Audit Committee section of the annual report how the Audit Committee reached its recommendation to the Board on the appointment, reappointment or removal of the external auditors and include in the explanation supporting information on tendering frequency, the tenure of the incumbent external auditor and any contractual obligations that acted to restrict the Audit Committee's choice of external auditors.

Internal audit

- 9.1.15 To monitor and review the internal audit programme and ensure that the internal audit function is adequately resourced, has appropriate access to information and has appropriate standing within the Company;
- 9.1.16 To meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the Board and the Chairman;
- 9.1.17 To consider management's response to any major internal audit recommendations;
- 9.1.18 To approve the appointment or dismissal of the head of internal audit.

Risk management

- 9.1.19 To review the company's procedures for handling allegations from whistleblowers in order to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- 9.1.20 To review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management;
- 9.1.21 To review the Company's material information presented with the financial statements, such as the operating and financial review and the corporate governance statement on its systems of internal control prior to endorsement by the Board, and in particular review:
 - (A) the procedures for identifying business, operational, financial, compliance and other risks and controlling their impact on the Company having regard, in particular, to any significant failings or weaknesses in internal control that have been reported;
 - (B) the actions taken to remedy any significant failings or weaknesses, including their timeliness;
 - (C) the Company's policies for preventing or detecting fraud;
 - (D) the Company's policies for ensuring that the Company complies with relevant regulatory and legal requirements;

- (E) the operational effectiveness of these policies and procedures;
- 9.1.22 To review co-ordination between the internal audit function and the external auditors;
- 9.1.23 To review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company;
- 9.1.24 To review the controls over significant risks.

Financial reporting

- 9.1.25 To review, and challenge where necessary, the actions and judgements of management, in relation to the annual, half-yearly reports and interim management statements (including preliminary announcements and any other related formal statements) before submission to the Board, paying particular attention to:
 - (A) critical accounting policies and practices, and any changes in them;
 - (B) decisions requiring a major element of judgement;
 - (C) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - (D) the clarity of disclosures;
 - (E) the integrity of the statements;
 - (F) significant adjustments resulting from the audit;
 - (G) the going concern assumption;
 - (H) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements;
 - (I) compliance with accounting standards;
 - (J) compliance with stock exchange and other legal requirements;
 - (K) reviewing the company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company;
 - (L) reviewing material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (in so far as it relates to the audit and risk management);
- 9.1.26 To review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;
- 9.1.27 To review the annual financial statements of the Company's pension fund(s) (if any) where not reviewed by the Board as a whole.

Other

- 9.1.28 To give due consideration to any applicable laws and regulations, including the provisions of the Combined Code and the requirements of the UKLA's Listing, Prospectus, Disclosure and Transparency Rules;
- 9.1.29 To consider other topics, as defined by the Board;
- 9.1.30 To ensure that it is in a position to justify all of its actions and proposed courses of action;
- 9.1.31 In exercising its powers, to take into account the duties of directors under Chapter 2 of Part 10 of the Companies Act 2006 including, in particular, section 172 of the 2006 Act, which requires a director to act in a way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to -
- (A) the likely consequences of any decision in the long term,
 - (B) the interests of the company's employees,
 - (C) the need to foster the company's business relationships with suppliers, customers and others,
 - (D) the impact of the company's operations on the community and the environment,
 - (E) the desirability of the company maintaining a reputation for high standards of business conduct, and
 - (F) the need to act fairly as between members of the company.
- 9.1.32 To promptly provide the Board with such information as may be necessary or desirable in the opinion of the Board to enable the Board to monitor its conduct in order that each member of the Board may fulfil his duties and responsibilities as a director.

10. REPORTING PROCEDURES

- 10.1 The Chairman or, as a minimum, another member of the Audit Committee, shall attend the Board meeting at which the accounts are approved.
- 10.2 Where, following its review, the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- 10.3 The Audit Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the board.
- 10.4 The Audit Committee's duties and activities during the year shall be disclosed in the annual financial statements.

11. ANNUAL GENERAL MEETING

- 11.1 The Chairman shall be available at the annual general meeting to answer questions on the Audit Committee's activities and its responsibilities. He or she should also ensure that the Company maintains good contact with shareholders about remuneration in the same way as for other matters.

15 July 2009