

Embargoed until 7.00am

**JJB Sports plc****Preliminary Results For The Year Ended 31 January 2003**

JJB Sports plc ("JJB"), the UK's largest sports retailer, announces its preliminary results for the year ended 31 January 2003.

**Significant Financial Information**

|                                    | <b>Year<br/>ended<br/>31 January<br/>2003</b> | <b>Year<br/>ended<br/>31 January<br/>2002</b> | <b>Increase/<br/>Decrease</b> |
|------------------------------------|---|---|-------------------------------|
| <b><u>JJB Only</u></b>             |   |   |                               |
| <b>Turnover</b>                    | £769.8m                                       | £739.4m                                       | +4.1%                         |
| <b>Operating profit*</b>           | £87.2m  | £113.0m                                       | -22.9%                        |
| <b><u>Group</u></b>                |   |   |                               |
| <b>Turnover</b>                    | £934.3m                                       | £739.4m                                       | +26.4%                        |
| <b>Operating profit*</b>           | £93.8m  | £113.0m                                       | -17.0%                        |
| <b>Pre-tax profit*</b>             | £90.3m  | £110.2m                                       | -18.1%                        |
| <b>Ordinary EPS</b>                | 20.68p  | 26.22p  | -21.1%                        |
| <b>Headline EPS*</b>               | 26.10p  | 31.39p  | -16.9%                        |
| <b>Recommended Final Dividend</b>  | 5.0p  | 5.0p  |                               |
| <b>Total Dividend for the year</b> | 7.25p   | 7.25p   |                               |
| <b>Net Debt</b>                    | £60.6m  | £30.3m  |                               |

\* Before goodwill amortisation of £13.1m (2002 - £12.8m)

- Like-for-like decrease in turnover of 0.2% within the core JJB business as price deflation offsets volume growth.
- Number of items sold increased by 8.5% compared with same period last year.
- Gross margin within the core JJB business reduced to 47.3% from 49.1%.
- Strong trading performance from combined health club / superstore format.
- Continuing strong cash flow with net cash inflow from operating activities for the Group increasing to £149.3 million compared to £126.2 million.
- Increase in store selling space within the core JJB business during the year of 305,000 square feet to 4.05 million square feet with 29 superstores opened and 21, mainly small stores, closed.
- Opening of new office block during September 2002, completes the expansion of the base structure which started with the major IT hardware upgrade in November 2001 and the opening of an additional distribution centre in February 2002.

- The results of TJ Hughes are showing a satisfactory increase over the previous year and foundations have been laid for further margin improvement during 2003.
- Current trading conditions are still demanding with like-for-like turnover for the 8 weeks to 23 March 2003 being 0.9 per cent higher within core JJB business but 6.2 per cent lower within TJ Hughes. Gross margins within JJB have been maintained, when compared to the same period last year, whilst those in TJ Hughes have slightly increased.

Current

Commenting today, David Whelan, Chairman said

“I am disappointed that our results for the year ended 31 January 2003 have fallen so far short of the very strong set of trading results that we achieved during the previous year. Our healthy cash flow has however meant that we have not been deflected from our store and health club expansion programme and although trading conditions remain challenging, I am confident that our strategies will enable us to build and go forward from the base set by the 2002/3 results”.

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A copy of this press release can also be viewed on the JJB Sports plc website, [www.jjb.co.uk](http://www.jjb.co.uk).

## **Chairman's Statement**

At the time that I presented our half yearly results in October 2002, I referred to my disappointment at that being the first time since the Company's shares had been quoted on the London Stock Exchange in 1994, that I had announced results lower than those achieved in the comparative period. The more competitive trading conditions continued during the second half of the year with the result that group net profits before tax and goodwill amortisation, for the year ended 31 January 2003 were 18 per cent lower than those for the previous year.

Trading conditions during 2001/2 were particularly strong for JJB and set very high levels for the later year, which were always going to be difficult to match. However, the disappointing results in 2002/3 were also affected in some part by our stock selection in certain sections of our clothing ranges which did not prove to be sufficiently attractive to our customers; these ranges had to be subsequently cleared at lower margins. I have taken action to address this situation and believe that recent appointments we have made to strengthen our buying and merchandising team at head office will result in stronger ranges being on offer during the current year.

The continuing success of our combined health club/superstore format is very pleasing and 2003 will see an increase in the number of openings of these sites. Steady progress is being made within TJ Hughes to increase its profitability and I look forward to growth from the "icon" format during 2003. In addition a number of initiatives are currently being developed to enhance the JJB product offering; these initiatives include the recent signing of an agreement to develop and source golf hardware and equipment under the "Slazenger" brand and the continuing development of the "Teamwear" division which sells kits to football teams. We are also negotiating with a number of professional clubs to source and retail their replica kit under our "Patrick" brand.

My comments on the year would not be complete without reference to the tragic death of Duncan Sharpe, the company's chief executive and my son-in-law. This event cast a shadow over the year. We all miss him greatly, but I am pleased to report that his spirit and memory live on in JJB. He made a great contribution towards building the company and his legacy will always remain an important part of JJB's history.

The continuing economic uncertainties and current global events make it difficult for me to predict the outcome to the current financial year but I believe that our strategies will enable us to build and go forward from the base set by the 2002/3 results.

D Whelan  
Chairman  
7 April 2003

## **Results**

JJB announces its results for the year ended 31 January 2003.

### **Review of Results**

#### **Core JJB Business**

Turnover for the year, within the core JJB business (the Group excluding TJ Hughes), increased by 4.1 per cent to £769.8 million and included a decrease in like-for-like turnover of 0.2 per cent from stores that have been open for more than 52 weeks. Consumer demand across JJB's product range remains strong with the number of items actually sold showing an increase of 8.5 per cent over the previous year. However, the continuing strong competition within the clothing, footwear and replica kit markets has resulted in price deflation which has impacted upon the gross margin achieved on these products. For the year ended 31 January 2003 there was a decrease in gross margin to 47.3 per cent from 49.1 per cent, which includes an almost 100 per cent gross margin on turnover from health clubs; the gross margin on store turnover fell from 48.6 per cent to 46.6 per cent.

Operating expenses before goodwill amortisation increased by 10.8 percent to £277.3 million, representing 36.0 per cent of turnover for the year, compared to 33.9 per cent in the same period last year. This percentage increase resulted partly from the level of like-for-like turnover not keeping pace with inflation but also partly from the increased costs arising from rent reviews, advertising and the costs incurred in running the new IT, distribution centre and head office structures. These percentages have also been affected by the impact of the continuing expansion of the health clubs where there is a very high gross margin but a higher level of operating costs to turnover than is incurred in the retail stores.

Operating profit before taxation and goodwill amortisation has fallen by 22.9 per cent to £87.2 million from £113.0 million earned in the previous financial year.

#### **TJ Hughes**

The trading results of TJ Hughes have been consolidated with those of the core JJB business for the nine months ended 31 January 2003 following JJB's successful acquisition of the whole of its issued share capital. The operating profit contributed to the Group by TJ Hughes for the nine months amounted to £6.6m. This compares to £5.9 million earned by TJ Hughes in the same period last year.

Turnover for the 9 months ended 31 January 2003 of £164.4m represented a 6.1 per cent increase over the comparative period last year. This included a decrease in like-for-like turnover of 1.0 per cent. The gross margin achieved of 30.7 per cent compares to 29.3 per cent in the same period last year. The gross margin increase of 1.4 per cent reflects an encouraging start to the margin enhancement programme at TJ Hughes. This has resulted from a review of buying and pricing policies, ongoing improvements to the management information system, a significant reduction in stock loss achieved through the introduction of security tag systems and stock audit teams and a reduction in the levels of old stock.

## **Group**

Effective cash management and control of working capital combined with favourable interest rates, resulted in only a slight increase in net interest payable within the Group in the year ended 31 January 2003, to £3.5 million from £2.8 million. Interest payable included interest on the facilities used to fund the acquisition of TJ Hughes and the purchase of the Company's own shares in July.

The effective rate of taxation on Group profits before goodwill amortisation for the year ended 31 January 2003 was 30.4 per cent, compared to 29.6 per cent in the previous financial year.

Headline earnings per share for the Group, stated before goodwill amortisation, fell by 16.9 per cent to 26.10 pence per ordinary share from 31.39 pence per ordinary share in the previous year.

## **Dividend**

The Board has declared a final dividend of 5.0p net per ordinary share, payable on 15 July 2003 to shareholders on the register at the close of business on 13 June 2003. Together with the interim dividend paid on 11 December 2002 of 2.25p net per ordinary share, this will give a total dividend of 7.25p, identical to the rate paid in respect of the previous year. The total dividend is covered 3.7 times by headline earnings per ordinary share.

## **Purchase of Own Shares**

JJB was given authority to buy-back up to 5 per cent of its share capital at the Annual General Meeting held on 11 July 2002. JJB duly bought back the permitted number of 12.37 million shares before 31 July 2002 at an average price, including costs, of 199 pence. The purchase of its own shares at this price was earnings enhancing.

## **Board Changes**

The Board was very sorry to announce the tragic death of the Chief Executive, Duncan Sharpe in October 2002. Duncan had been with JJB for 19 years and his contribution to the success of the Company from its floatation in 1994 was considerable. He was held in great affection and respect by all those he worked with.

Tom Knight was appointed as Chief Executive on 27 November 2002, after joining JJB on 1 October 2002. Tom had enjoyed a long and successful career at Blacks Leisure Group plc during which he held several senior positions culminating as Managing Director of their Sports and Fashion Division.

George Foster was appointed to the Board of Directors of JJB Sports on 13 May 2002 and is Chief Executive of TJ Hughes, a position he has held since May 1997. George has a wide experience of both traditional and discount retailing. Prior to joining TJ Hughes, George spent 10 years at Alders plc where he was Group Buying Director.

## **Office Of Fair Trading**

The investigation by the Office Of Fair Trading into the retail pricing of replica football kits is still continuing. JJB has mounted a firm and convincing defence. However, JJB believes that the OFT may nevertheless find that the parties accused are guilty of price fixing, despite the evidence submitted, and it is JJB's intention to appeal any such decision to the Competition Commission Appeal Tribunal in that event.

JJB has never been involved in price fixing and has indeed always been fully committed to delivering value to its customers.

### **Balance Sheet**

Capital expenditure for the year ended 31 January 2003, including that within TJ Hughes, was £47.3 million compared to £38.4 million within the core JJB business in the previous year. This included £4.5 million on the new head office site and £26.7 million on stores and health clubs which opened during the year together with a further £3.2 million spent on stores and health clubs to open during 2003/4.

Tight control has been maintained over working capital with the result that the value of stocks within the core JJB business have increased by only 0.4 per cent to £113.6 million at 31 January 2003 from £113.2 million at the same date last year. Stocks at TJ Hughes have reduced in value to £34.3 million compared to £34.8 million at 31 January 2002 with stocks over one year old having fallen by almost one third in that period to what is now a more acceptable level. The stock levels within both businesses have been maintained against the background of store openings and the increases in total turnover.

Cash at bank at 31 January 2003 has increased to £37.3 million from £8.5 million at the previous year-end and the net debt position amounted to £60.6 million compared to £30.3 million at 31 January 2002. The increase was principally caused by the acquisition of TJ Hughes together with its net debt at the date of acquisition which totalled £61.6 million, and £24.6 million incurred on the purchase of JJB's own shares in July 2002. The Group continues to generate strong cash flows with the net cash inflow from operating activities for the year ended 31 January 2003 being £149.3 million, including a contribution from TJ Hughes of £37.4 million, compared to £126.2 million within the core JJB business for the previous year. The contribution from TJ Hughes partly resulted from one-off benefits following the implementation of working capital changes.

### **Operational Review**

#### **Product and Brand Development**

The following table shows the percentage of the JJB store turnover for each product category:

|                           | <b>Year ended<br/>31 January 2003</b> | <b>Year ended<br/>31 January 2002</b> |
|---------------------------|---------------------------------------|---------------------------------------|
|                           | <b>%</b>                              | <b>%</b>                              |
| Clothing                  | 41                                    | 44                                    |
| Footwear                  | 31                                    | 31                                    |
| Equipment and accessories | 12                                    | 12                                    |
| Replica kit               | 10                                    | 7                                     |
| Golf and cycles           | 6                                     | 6                                     |
|                           | ———                                   | ———                                   |
|                           | 100                                   | 100                                   |
|                           | =====                                 | =====                                 |

The JJB store format continues to deliver a wide, value for money range of clothing, footwear and accessories, for which consumer demand remains strong. The total increase in stores turnover during the year ended 31 January 2003 was 3.5 per cent when compared to the previous year. In terms of quantities of product sold, there was an increase of 8.5 per cent during the year, which reflects the continuing

demand for active sports clothing, footwear and accessories albeit at lower price points than those achieved in previous years.

Turnover during the year ended 31 January 2003 in footwear, equipment, replica kit and golf and cycle products was higher than that achieved in the previous year. Continuing high street competition combined with the relatively mild autumn/winter period has impacted upon the demand and selling price of clothing, in particular for mens and childrens wear. However, sales of ladies wear were buoyant, showing an increase of 20 per cent when compared to that achieved in the previous year. The reduction of turnover in the clothing category was offset by the increase in replica kit turnover, which resulted from the success of the football World Cup products and the introduction of Manchester United merchandise areas to all JJB stores on 1 August 2002. However the gross margin on replica kits continues to be lower than the gross margin achieved on products in the clothing category.

JJB's product strategy continues to be based upon strong product offerings from Nike, adidas and Reebok, a significant proportion of which are "special make up" styles made available only to JJB, thereby differentiating its product offering from that of its competitors. This strategy is supported by a value for money range of alternative quality products from its own brands of Patrick, Head, Lotto and Olympus, many of which are being designed, developed and sourced by JJB's own in-house team.

Just before Christmas 2002, JJB opened 2 stores under the new "icon" fascia. These stores utilise existing small high street properties that previously traded as "JJB Sports" and sell a range of branded fashion products which are not currently available within JJB stores. Because of the length of the order/delivery cycle, full ranges of products are not yet available, but taking this factor into account, turnover within these stores has matched expectations. JJB has identified a further 14 sites which it intends to open under the "icon" name during 2003. Six of these sites are of former JJB small stores and 8 are of existing stores which will be closed during the year.

The results from JJB's two stores in Holland have been disappointing and there are no current plans for further expansion in this area.

### **Head Office/Distribution Centre**

The upgrade of JJB's head office and logistical facilities is now complete with the opening of an additional 57,000 square feet office block in September 2002 following on from the opening of the additional distribution centre in February 2002. The total cost of the two buildings has been £15.2 million.

### **Stores and store development**

At 31 January 2003, JJB operated from 443 stores comprising 82 high street superstores, 188 out of town superstores, 166 smaller high street stores, 5 small golf stores and 2 icon stores. The selling space totalled approximately 4,053,000 square feet. This compares to 435 stores, comprising 71 high street superstores, 178 out of town superstores, 181 smaller high street stores and 5 small golf stores in operation at 31 January 2002. The total selling space at that date amounted to approximately 3,748,000 square feet.

During the year ended 31 January 2003, JJB has continued the policy of replacing small high street stores with both high street superstores and out-of-town superstores with the opening of 29 stores and with the closure of 21, mainly smaller, stores.

JJB's plans for the current year are well advanced with contracts for 22 superstore sites having been exchanged, including 8 sites on which JJB will incorporate a health club.

### **Leisure Division**

At 31 January 2003, the Leisure Division operated from 11 sites which included 3 indoor soccer centres, 10 health clubs and 10 superstores. One of the sites comprised a golf store and driving range. At 31 January 2003 the 10 health clubs had a combined membership of 35,900 members.

JJB opened a health club in its existing Wigan indoor soccer centre in April 2002 and health club/superstores at sites in Leeds in July 2002 and in Southport and Bangor during December 2002. Two further combined health club/superstores have opened since the year-end at sites in Halifax and Swindon. It is planned to open a further 6 combined health club/superstore sites during 2003.

The concept of a ground floor health club, incorporating a swimming pool, health spa, steam room, well equipped gym area, aerobic studios and bar area, with escalator access to a first floor superstore is giving JJB a very satisfactory return on capital employed whilst the low membership fees provides members with a very strong value for money facility. Consideration is being given to including soccer centres on a limited number of sites planned for 2004 openings.

JJB regards the inclusion of a superstore on a health club site as being of paramount importance. The operating profit of the 11 Leisure Division sites for the year ended 31 January 2003 was £5.1 million on a turnover of £27.4 million. The net book value of tangible fixed assets at these sites at 31 January 2003 was £33.6 million. These figures include the results and carrying values of the sites opened during the year.

### **TJ Hughes**

The satisfactory trading results of TJ Hughes for the nine months ended 31 January 2003, the improved situation regarding the year-end stocks and their contribution to the net cash flow from operating activities, have been referred to in earlier paragraphs.

These improvements at TJ Hughes have resulted from the margin enhancement programme formulated soon after the acquisition. The programme included work on the buying/pricing policies, IT enhancements, prevention of stock losses and a reduction in the levels of old stock, all of which have been substantially completed. Work also commenced on the upgrade of TJ Hughes' property portfolio with three new stores being opened during the nine months ended 31 January 2003 and with two older stores being refurbished. As at 31 January 2003 TJ Hughes traded from 39 stores with a selling space of 1,339,000 square feet. The initial results of the developments in the property portfolio have been satisfactory and a number of potential sites for new stores are being considered. Plans are already well advanced for the refurbishment of a further 5 stores during the current year.

### **Current Trading and Prospects**

As regards current trading figures, JJB has decided to publish information on its results for the 8 weeks ended 23 March because the two weeks following this period included the weeks of Easter in the previous year. Easter seasonally enjoys one of the highest turnover levels of the accounting year and therefore JJB believes it inappropriate to include these two weeks in its current trading figures.

Trading conditions on the high street are still challenging, particularly in the clothing sector, but JJB is maintaining its position whilst continuing to achieve increased contribution from a higher number of

health clubs. Total turnover for the first eight weeks of the current year to 23 March 2003 within the core JJB business is 6.2 per cent higher than for the same period last year which includes a like-for-like increase of 0.9 per cent. The gross margin of approximately 48.5 per cent is similar to that achieved in the comparative period last year.

Trade within TJ Hughes for the eight weeks to 23 March 2003, which seasonally is a relatively unimportant part of the year, has remained very competitive and has been adversely affected by a trialed reduction in promotional activity. This has resulted in a reduction in total turnover of 0.4 per cent which includes a like-for-like decrease of 6.3 per cent. However, the gross margin achieved during the eight weeks of approximately 29.5 per cent, is slightly higher than that achieved in the comparative period. A targeted and more cost-effective marketing strategy has been set for the remainder of the year. This strategy together with the margin enhancement programme, referred to earlier, should continue to have a positive effect upon gross and net margins. Whilst it will take some time to fully maximise these initiatives, the Board are confident, based upon the progress made to date, that this strategy will deliver the planned benefits.

Continuing economic uncertainties and the current global events make it difficult to predict the outcome to the current financial year. Nevertheless, JJB believes that initiatives already in place will result in an improvement to its product ranges and will help generate sales growth. Additional turnover generated from new selling space and expansion plans for the Leisure Division, based on a value for money offering, should help generate additional profitability as well as further enhancing JJB's sporting brand image. In addition, the Group should benefit from a steadily improving situation at TJ Hughes.

### **Potential offer for JJB**

On 25 March 2003, the Chairman announced that he is "seriously considering" making an offer for the entire issued share capital of JJB. An independent committee of the Board has been formed to consider any offer that may be made for JJB and has appointed UBS Warburg to advise it.

The independent committee has been informed that, whilst preparations for an offer are making progress, it is likely to be several weeks before any offer can be finalised. However, there can be no assurance that an offer will be made, nor the terms on which such an offer might be made. A further announcement will be made in due course.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 JANUARY 2003**

|  | Year ended<br>31 January<br>2003 |                       | Year ended<br>31 January<br>2002 |           |
|--|----------------------------------|-----------------------|----------------------------------|-----------|
|  | Continuing operations            |                       | Total<br>£'000                   | £'000     |
|  | £'000                            | Acquisitions<br>£'000 |                                  |           |
| <b>Turnover</b>  | 769,831                          | 164,445               | 934,276                          | 739,419   |
| Cost of sales  | (405,327)                        | (113,944)             | (519,271)                        | (375,997) |
| <b>Gross profit</b>  | 364,504                          | 50,501                | 415,005                          | 363,422   |
| Other operating expenses (including goodwill amortisation)                     | (290,358)                        | (43,889)              | (334,247)                        | (263,137) |
| <b>Operating profit</b>  | 74,146                           | 6,612                 | 80,758                           | 100,285   |
| <b>Operating profit before goodwill amortisation</b>                           | 87,210                           | 6,612                 | 93,822                           | 113,049   |
| Goodwill amortisation  | (13,064)                         | -                     | (13,064)                         | (12,764)  |
| Interest receivable  |                                  |                       | 7,831                            | 9,527     |
| Interest payable and similar charges   |                                  |                       | (11,329)                         | (12,342)  |
| <b>Profit on ordinary activities before taxation</b>                           |                                  |                       | 77,260                           | 97,470    |
| Taxation on profit on ordinary activities                                      |                                  |                       | (27,492)                         | (32,640)  |
| <b>Profit on ordinary activities after taxation</b>                            |                                  |                       | 49,768                           | 64,830    |
| Dividends paid and proposed  |                                  |                       | (17,040)                         | (17,936)  |
| <b>Retained profit for the year</b>  |                                  |                       | 32,728                           | 46,894    |
| <b>Profit on ordinary activities before taxation and goodwill amortisation</b> |                                  |                       | 90,324                           | 110,234   |
| <b>Headline earnings per ordinary share</b>                                    |                                  |                       | 26.10p                           | 31.39p    |
| <b>Earnings per ordinary share</b>   |                                  |                       | 20.68p                           | 26.22p    |
| <b>Diluted earnings per ordinary share</b>                                     |                                  |                       | 20.58p                           | 26.22p    |
| <b>Dividends per ordinary share</b>  |                                  |                       |                                  |           |
| Interim  |                                  |                       | 2.25p                            | 2.25p     |
| Final  |                                  |                       | 5.00p                            | 5.00p     |
|  |                                  |                       | 7.25p                            | 7.25p     |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JANUARY 2003**

|  | <b>Year ended<br/>31 January<br/>2003<br/>£'000</b> | <b>Year ended<br/>31 January<br/>2002<br/>£'000</b> |
|--|---|---|
| Profit on ordinary activities after taxation           | 49,768  | 64,830  |
| Exchange rate movement                                 | 204   | (35)  |
| <b>Total recognised gains relating<br/>to the year</b> | <u>49,972</u>                                       | <u>64,795</u>                                       |

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 JANUARY 2003**

|  | <b>Year ended<br/>31 January<br/>2003<br/>£'000</b> | <b>Year ended<br/>31 January<br/>2002<br/>£'000</b> |
|--|---|---|
| Retained profit for the year                 | 32,728  | 46,894  |
| Exchange rate movement                       | 204   | (35)  |
|  | <u>32,932</u>                                       | <u>46,859</u>                                       |
| Proceeds of share issues                     | -   | 738   |
| Consideration paid on purchase of own shares | (24,636)  | -   |
| Opening shareholders' funds                  | 316,879   | 269,282   |
| <b>Closing shareholders' funds</b>           | <u>325,175</u>                                      | <u>316,879</u>                                      |

**CONSOLIDATED BALANCE SHEET  
AS AT 31 JANUARY 2003**

|  | <b>As at<br/>31 January<br/>2003<br/>£'000</b> | <b>As at<br/>31 January<br/>2002<br/>£'000</b> |
|--|--|--|
| <b>Fixed Assets</b>  |  |  |
| Intangible assets – goodwill                                   | 207,414  | 211,842  |
| Tangible assets  | 198,709  | 140,632  |
|  | <u>406,123</u>                                 | <u>352,474</u>                                 |
| <b>Current assets</b>  |  |  |
| Stock  | 147,906  | 113,216  |
| Debtors  | 16,889   | 16,512   |
| Loan note deposit (secured)                                    | 170,478  | 170,478  |
| Cash at bank and in hand                                       | 37,251   | 8,470  |
|  | <u>372,524</u>                                 | <u>308,676</u>                                 |
| <b>Creditors: amounts falling due within one year</b>          |  |  |
| Borrowings   | (172,478)                                      | (170,478)                                      |
| Others   | (151,091)                                      | (111,525)                                      |
|  | <u>(323,569)</u>                               | <u>(282,003)</u>                               |
| <b>Net current assets</b>                                      | 48,955   | 26,673   |
| <b>Total assets less current liabilities</b>                   | 455,078  | 379,147  |
| <b>Creditors: amounts falling due after more than one year</b> |  |  |
| Borrowings   | (95,898)                                       | (38,762)                                       |
| Others   | (14,257)                                       | (8,967)  |
|  | <u>(110,155)</u>                               | <u>(47,729)</u>                                |
| <b>Provisions for liabilities and charges</b>                  | (19,748)                                       | (14,539)                                       |
| <b>Net assets</b>  | <u>325,175</u>                                 | <u>316,879</u>                                 |
| <b>Capital and reserves</b>                                    |  |  |
| Called-up share capital  | 11,752   | 12,371   |
| Share premium account  | 151,836  | 151,836  |
| Capital redemption reserve                                     | 706  | 87   |
| Profit and loss account  | 160,881  | 152,585  |
| <b>Equity shareholders' funds</b>                              | <u>325,175</u>                                 | <u>316,879</u>                                 |

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JANUARY 2003**

|  | <b>Year ended<br/>31 January<br/>2003<br/>£'000</b> | <b>Year ended<br/>31 January<br/>2002<br/>£'000</b> |
|--|---|---|
| <b>Net cash inflow from operating activities</b>                       | 149,298   | 126,160   |
| <b>Returns on investments and servicing of finance</b>                 |   |   |
| Interest received  | 7,831   | 9,527   |
| Interest paid  | (10,677)  | (11,706)  |
| <b>Net cash outflow</b>  | (2,846)   | (2,179)   |
| <b>Taxation</b>  |   |   |
| UK corporation tax paid  | (30,730)  | (26,443)  |
| Foreign tax paid   | (350)   | (88)  |
| <b>Net cash outflow</b>  | (31,080)  | (26,531)  |
| <b>Capital expenditure</b>   |   |   |
| Purchase of tangible fixed assets                                      | (47,307)  | (38,401)  |
| Sale of tangible fixed assets  | 6,142   | 957   |
| <b>Net cash outflow</b>  | (41,165)  | (37,444)  |
| <b>Acquisitions</b>  |   |   |
| Purchase of subsidiary undertaking                                     | (44,065)  | -   |
| Net overdraft acquired with subsidiary undertaking                     | (7,567)   | -   |
| <b>Net cash outflow</b>  | (51,632)  | -   |
| <b>Equity dividends paid</b>   | (17,658)  | (15,445)  |
| <b>Cash inflow before management of liquid resources and financing</b> | 4,917   | 44,561  |
| <b>Financing</b>   |   |   |
| Issues of ordinary share capital                                       | -   | 738   |
| Increase (decrease) in loans   | 48,500  | (70,000)  |
| Purchase of own shares   | (24,636)  | -   |
| <b>Net cash inflow (outflow)</b>                                       | 23,864  | (69,262)  |
| <b>Increase (decrease) in cash in the year</b>                         | <u>28,781</u>                                       | <u>(24,701)</u>                                     |

The acquisition of TJ Hughes in the year contributed £37,401,000 to the group's net cash inflow from operating activities, expended £345,000 in respect of returns on investments and servicing of finance, expended £866,000 in respect of UK corporation tax paid and expended £8,463,000 on the purchase of tangible fixed assets.

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW  
FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 31 JANUARY 2003**

|  | <b>Year ended<br/>31 January<br/>2003<br/>£'000</b> | <b>Year ended<br/>31 January<br/>2002<br/>£'000</b> |
|--|---|---|
| Operating profit after amortisation              | 80,758  | 100,285   |
| Amortisation of goodwill                         | 13,064  | 12,764  |
| Depreciation of tangible fixed assets            | 22,986  | 16,911  |
| (Profit) loss on sale of tangible fixed assets   | (318)   | 1,344   |
| Decrease in stocks                               | 3,140   | 2,239   |
| Decrease (increase) in debtors                   | 4,566   | (4,076)   |
| Increase (decrease) in creditors                 | 25,102  | (3,307)   |
|  | <hr/>   | <hr/>   |
| <b>Net cash inflow from operating activities</b> | <b>149,298</b>                                      | <b>126,160</b>                                      |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
FOR THE YEAR ENDED 31 JANUARY 2003**

|  | <b>Year ended<br/>31 January<br/>2003<br/>£'000</b> | <b>Year ended<br/>31 January<br/>2002<br/>£'000</b> |
|--|---|---|
| Increase (decrease) in cash in the year      | 28,781  | (24,701)  |
| Cash (inflow) outflow from change in debt    | (48,500)  | 70,000  |
| Change in net debt resulting from cash flows | (19,719)  | 45,299  |
| Loan acquired with subsidiary                | (10,000)  | -   |
| Amortisation of bank loan costs              | (636)   | (636)   |
| Movement in net debt in the year             | (30,355)  | 44,663  |
| Opening net debt                             | (30,292)  | (74,955)  |
|  | <hr/>   | <hr/>   |
| <b>Closing net debt</b>                      | <b>(60,647)</b>                                     | <b>(30,292)</b>                                     |

**ANALYSIS OF NET DEBT  
AS AT 31 JANUARY 2003**

|                          | <b>At 1 February<br/>2002<br/>£'000</b> | <b>Acquisition<br/>£'000</b> | <b>Cash Flow<br/>£'000</b> | <b>Other non-<br/>cash items<br/>£'000</b> | <b>At 31 January<br/>2003<br/>£'000</b> |
|--------------------------|---|------------------------------|----------------------------|--|---|
| Loan note deposit        | 170,478                                 | -                            | -                          | -  | 170,478                                 |
| Cash at bank and in hand | 8,470                                   | -                            | 28,781                     | -  | 37,251                                  |
|                          | <u>178,948</u>                          | <u>-</u>                     | <u>28,781</u>              | <u>-</u>                                   | <u>207,729</u>                          |
| Borrowings               | (209,240)                               | (10,000)                     | (48,500)                   | (636)                                      | (268,376)                               |
|                          | <u>(30,292)</u>                         | <u>(10,000)</u>              | <u>(19,719)</u>            | <u>(636)</u>                               | <u>(60,647)</u>                         |

## Earnings per share

Earnings per share have been calculated as follows:

|  | <b>Year ended<br/>31 January<br/>2003<br/>£'000</b> | <b>Year ended<br/>31 January<br/>2002<br/>£'000</b> |
|--|---|---|
| Headline earnings:   |   |   |
| Profit on ordinary activities after taxation<br>before goodwill amortisation | 62,832  | 77,594  |
| Goodwill amortisation  | (13,064)  | (12,764)  |
|  | <hr/>   | <hr/>   |
| Profit on ordinary activities after taxation                                 | <u>49,768</u>                                       | <u>64,830</u>                                       |
| Weighted average number of ordinary<br>shares in issue (thousands)           | 240,719   | 247,221   |
| Headline earnings per ordinary share   | 26.10p  | 31.39p  |
| Earnings per ordinary share  | 20.68p  | 26.22p  |
| Diluted earnings per ordinary share  | 20.58p  | 26.22p  |

Headline earnings per ordinary share have been calculated on profit on ordinary activities after taxation but before goodwill amortisation. The Directors consider that this gives a better understanding of the Group's earnings.

## Dividend

An interim dividend of £5,288,000, representing 2.25p net per ordinary share was paid on 11 December 2002.

A final dividend of £11,752,000, representing 5.0p net per ordinary share is proposed and, subject to shareholders' approval, will be paid on 15 July 2003 to shareholders recorded on the share register on 13 June 2003.

For the year ended 31 January 2002, an interim dividend of £5,566,000, representing 2.25p net per ordinary share was paid on 12 December 2001 and a final dividend of £12,370,000 representing 5.0p net per ordinary share was paid on 16 July 2002.

### **Non-statutory financial statements**

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 January 2003 or 2002. The financial information for the year ended 31 January 2002 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 January 2003 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting.

This report was approved by the Board of Directors on 7 April 2003.

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