

Embargoed until 7.00am

## JJB Sports plc

### Interim Results for the 26 weeks to 27 July 2003

JJB Sports plc ("JJB"), the UK's largest sports retailer, announces its interim results for the 26 weeks to 27 July 2003.

#### Highlights:

- **Tough clothing market and difficult comparatives cause 3 % decline in like-for-like sales in core JJB business; gross margin recovers to 48.2% from 46.4% in second half of last year.**
- **Unique health club/superstore concept drives Leisure Division profits.**
- **Continued improvements in trading and profitability at TJ Hughes. Like for like sales up 7.4% in first ten weeks of second half.**
- **Change in dividend policy sees 33% increase in interim dividend.**
- **Net debt reduced by £20.3m to £40.3m since 26 January 2003.**
- **Improvements to buying and merchandising help current trading. Total sales in the first ten weeks of second half up 1.7% in core JJB business (like-for-like decrease -1.1%) with gross margin 250 basis points up at 49.2%.**
- **Board actively progressing negotiations for sale of TJ Hughes.**

Commenting today, David Whelan, Chairman said :-

"I am satisfied with the results that we have achieved during the 26 weeks ended 27 July 2003. Although the net profits are at a lower level than those achieved in the same period last year, the improvement in the gross margin achieved within the core JJB business since the second half of last year, clearly demonstrates that the strengthening of our buying and merchandising functions is beginning to have a positive impact.

These improvements together with our expansion programme into the combined health clubs/superstores and stand-alone superstores, gives me a great deal of confidence in achieving both a successful outcome to the full year results and to continuing future growth."

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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).

## **Review of Results**

### **Core JJB Business**

Turnover for the 26 weeks ended 27 July 2003 in the core JJB business (the Group excluding TJ Hughes), increased by 1.6 per cent to £368.5 million but included a decrease in like-for-like turnover of 3.0 per cent from stores and health clubs that have been open for more than 52 weeks. Consumer demand for most of the Group's products remained strong with the exception of the childrens clothing ranges which suffered from strong competition from value retailers.

The gross margin achieved during the 26 weeks ended 27 July 2003 of 48.2 per cent, compares with 48.4 per cent achieved during the corresponding period last year. JJB did not, during the first half of the current year, have to resort to the high level of price reductions that it made during the 26 weeks ended 26 January 2003 which had resulted in a gross margin in that period of only 46.4 per cent.

Operating expenses before goodwill amortisation of £6.6 million and exceptional items of £5.4 million totalled £140.5 million for the half year compared to £134.7 million in the comparative period last year, an increase of 4.3 per cent which principally reflects the impact of increased selling space and new health clubs but also of increased costs accruing from the rent reviews of JJB's out-of-town superstores.

The operating profit before goodwill amortisation and exceptional items of £37.1 million compares to £40.8 million achieved in the comparative period.

### **TJ Hughes**

Turnover for the 26 weeks ended 27 July 2003 of £92.1 million represented a 5.6 per cent increase over the comparative period last year. This included an increase in like-for-like turnover of 0.4 per cent. In the 18 weeks since 24 March 2003, when promotional activity returned to more typical levels, like-for-like turnover has increased by 3.4 per cent.

The gross margin achieved of 31.0 per cent compares to 29.8 per cent in the same period last year. The gross margin increase of 1.2 per cent reflects the continued success of the margin enhancement program at TJ Hughes. This programme includes improved buying and pricing policies and enhancements made to the computer and management information systems, together with a reduction in stock loss achieved through the introduction of security tag systems and stock audit teams.

The operating profit amounted to £0.35 million compared with an operating loss of £0.20 million for the 26 weeks ended 28 July 2002.

### **Group**

Group turnover has increased by 13.6 per cent to £460.6 million compared to £405.5 million, mainly as a result of the acquisition of TJ Hughes only part way through the comparative period. Operating profit, after goodwill amortisation and exceptional items, fell to £25.5 million compared to £34.3 million in the comparative period.

Net interest payable by the Group of £1.3 million compares to £1.5 million in the corresponding period last year. Net profit before tax, goodwill amortisation and exceptional items of £36.2 million compares to £39.3 million achieved in the corresponding period last year.

The effective rate of taxation on the profits of the Group before goodwill amortisation increased to 31.0 per cent from 30.5 per cent.

Headline earnings per share for the Group, stated before goodwill amortisation and exceptional items, increased to 11.33 pence per ordinary share, from 11.07 pence per ordinary share in the comparative period.

### **Dividends**

Following representations from a number of institutional investors, JJB is increasing its interim dividend by 33% to 3.0p, which represents a step change in dividend policy. The Board believes that this is appropriate for the Company and intends to adopt a progressive dividend policy going forward. The new policy reflects JJB's strong cash generation, and confidence in its outlook for the future. The interim dividend will be paid on 10 December 2003 to shareholders on the register at the close of business on 14 November 2003.

## Balance Sheet

Capital expenditure of the Group for the 26 weeks ended 27 July 2003 totalled £16.5 million and included £9.8 million of costs incurred on newly opened stores and health clubs, £2.1 million on the refurbishment of existing stores and £0.8 million on the acquisition of land adjacent to JJB's head office. This compares to expenditure of £24.4 million in the comparative period.

Stock levels both within the core JJB business and within TJ Hughes at 27 July 2003 have fallen when compared to the same date last year. Group stocks have fallen by 1.8 per cent from 28 July 2002 despite the increase in selling space over the last twelve months.

The Group's strong cash flow and tight control over working capital have reduced the net debt at 27 July 2003 to £40.3 million compared to £90.0 million at 28 July 2002 and £60.6 million at 26 January 2003.

## Operational Review

### JJB product and brand development

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

	26 weeks to 27 July 2003 %	26 weeks to 28 July 2002 %
Clothing	39	40
Footwear	32	31
Equipment and accessories	12	12
Replica kit	11	11
Golf and cycles	6	6
	<hr/>	<hr/>
	100	100
	<hr/> <hr/>	<hr/> <hr/>

The breakdown of JJB store turnover over product categories for the 26 weeks ended 27 July 2003, mirrors very closely the breakdown for the comparative period last year. Whilst strong retail competition has adversely affected the turnover of childrens clothing, this was partly offset by an increase in turnover of ladies clothing where JJB's product offering has been stronger than in earlier seasons. Turnover within the other product categories was broadly similar to the level achieved during the comparative period last year although comparisons of replica kit sales were difficult to match during the period ranged against the FIFA World Cup in 2002; however over the whole half year, turnover of replica kits was resilient and similar to that of the comparative period.

Over the last six months, JJB has made a number of senior appointments within the buying department which has had the effect of considerably strengthening its effectiveness. The appointments have covered not only the buying / selection of products but also the merchandising / allocation of stocks between individual stores. Appointments have also been made to prepare and analyse more detailed product information generated by the data warehouse function and to improve the monthly sales and margin forecasts on a product-by-product basis.

The six to nine month buying cycle within the retail sports trade means that it will take some time for the benefits generated by these staff appointments to have an effect. However, JJB believes that the strengthening of the buying department will ensure that the decisions, which led to the low gross margin of 46.4 per cent achieved during the second half of 2002/3, should not recur and that these changes are reflected in the improvement in gross margins since that period and the reduction in stock levels over the last twelve months.

JJB's product strategy continues to be focused upon the offer of a combination of branded products from its principal suppliers of Nike, adidas and Reebok, supported by products designed and sourced by its own staff and marketed under the brands of Patrick, Olympus, Lotto and Head. This strategy provides JJB's customers with a mix of quality and value ranges. JJB continues to strengthen its links with these principal suppliers and currently 40 per cent of the clothing and footwear products they provide are "special make up" styles made available only to JJB.

JJB has recently signed a royalty agreement to exclusively market “Slazenger” golf clubs and associated clothing which is a further strengthening of its branded offering.

JJB has been satisfied with the performance of their “icon” stores but because of the length of the buying cycle, the full brand mix of products for these stores has only recently been received and it is therefore the second half of the current year which should fully prove the success of this fascia. JJB has identified a further 4 small former JJB stores, which would otherwise have been vacant, which it will open under the “icon” name before the busy Christmas period and 3 which will open during Spring 2004.

### **JJB Stores and store development**

JJB’s store strategy continues to be a gradual migration from small high street stores to superstores where a complete range of clothing, footwear and equipment can be displayed. During the half year just ended, JJB has conducted a careful review of the profitability of individual stores and the decision was made to close three stores, identified as making significant operating losses. These stores were closed before 27 July 2003 and their leases were disposed of; the closure costs of these stores are included in other operating expenses in these accounts. JJB will benefit in the future from not incurring approximately £4 million of annualised losses from these three stores.

A refurbishment programme for 46 small high street stores has been prepared which JJB believes will produce significant improvements in their profitability. The refits will cost approximately £3.5 million and are targeted for completion over a period of 12 months during 2004.

At 27 July 2003, JJB operated from 447 stores comprising 191 out of town superstores, 84 high street superstores, 159 smaller high street stores, 5 small golf stores and 8 icon stores. The selling space totalled approximately 4,082,000 square feet. This compares to 443 stores, comprising 188 out of town superstores, 82 high street superstores, 166 smaller high street stores, 5 small golf stores and 2 icon stores in operation at 26 January 2003. The total selling space at that date amounted to approximately 4,053,000 square feet and compares to 3,869,000 square feet at 28 July 2002.

During the half year ended 27 July 2003, JJB has opened 7 stores (3 of which included health clubs), re-opened 6 stores as “icon” stores and closed 9, mainly smaller, stores. This policy of replacing small high street stores with superstores will continue during the second half of the current year with 7 new stores already opened, 1 of which includes a health club, and a further 9 planned to be opened, of which 3 will include health clubs.

Plans for store openings during 2004 are well advanced with contracts for 13 superstores having been exchanged. These store openings include 7 sites on which JJB will incorporate a health club.

### **JJB Leisure Division**

At 27 July 2003 the Leisure Division comprised 14 sites which included 3 indoor soccer centres, 13 health clubs and superstores and one golf store and driving range.

JJB has opened 3 combined health club/superstores during the 26 weeks ended 27 July 2003 at sites in Macclesfield, Halifax and Swindon. It is planned to open a further 4 combined health club/superstore sites during the second half of the current year and a further 7 sites are already contracted for opening during 2004, 2 of which are to include a soccer centre.

The unique concept of a ground floor health club, incorporating a half Olympic sized swimming pool, 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 provide members with a very strong value for money facility. JJB regards the further expansion into the combined health club/superstore format as being a key part of its future strategy.

At 5 October 2003, the 14 existing health clubs had a combined membership of 59,000 members. Included in this figure are 36,700 members of clubs which were operating on 6 October 2002; these clubs contained 31,300 members at this date last year; all these clubs currently have more members than at this date last year.

Turnover within the Leisure Division increased to £20.7 million from £11.8 million in this period. The operating profits of the 13 existing sites, including superstores, for the 26 weeks ended 27 July 2003 was £3.1 million compared to £1.7 million in the comparative period, after deducting an appropriate share of the head office/distribution centre costs. The net book value of tangible fixed assets at these sites at 27 July 2003 was £41.4 million, including £9.9 million relating to sites opened during the half year ended 27 July 2003 and sites still to open.

## **TJ Hughes**

The improved trading results for the 26 weeks to 27 July 2003 of TJ Hughes, primarily reflect the success of the margin enhancement program formulated shortly after its acquisition by JJB. The improvements targeted on buying policies, information systems and controls over stock loss have been substantially completed. The work carried out to reduce the value of old stock to acceptable levels is also now complete.

Work is continuing on the upgrade of the TJ Hughes property portfolio with two older stores having been refurbished during the 26 weeks to 27 July 2003. A further three store refurbishments commenced in July and when these are finished in October 2003 the programme to refurbish the oldest tranche of stores will be complete. Initial trading at the refurbished stores has been very encouraging with sales running well ahead of last year and comfortably out-performing the rest of the store portfolio. The second phase of the store upgrade programme, comprising lower cost improvements to the layout, branding and merchandising of the next tranche of around 15 stores, will commence in 2004.

At 27 July 2003 TJ Hughes traded from 39 stores with a selling space of 1,339,000 square feet. Since that date a clearance store has been closed, following completion of the old stock clearance programme.

The improvements made to the TJ Hughes format and trading performance since acquisition mean that it is now appropriate to consider opportunities for further store openings. The lease on a new store has been signed for Kings Lynn which will contain a trading area of 30,000 square feet and is scheduled to open early in 2005. A number of additional new store opportunities are being investigated for possible opening next year.

Following a review of the Group's non-core activities, the Board has entered into discussions which may lead to the sale of TJ Hughes. JJB is actively progressing negotiations although these are at a relatively early stage.

## **Office of Fair Trading**

In August 2003, the Office of Fair Trading (OFT) pronounced JJB guilty of price-fixing the sales of replica kit over a two year period during 2000 and 2001 and levied a fine of £8.4 million.

JJB has consistently denied any such charge and indeed maintained that it has always been the principal retailer in driving down the prices of replica kit. JJB has now appealed against the decision of the OFT to the Competition Appeal Tribunal and looks forward to the opportunity of being able to present its case to this independent body in the near future.

No provision has been made in respect of this fine in the financial accounts as, on the basis of advice received, the Board believes that the appeal will be successful.

## **Current Trading and Prospects**

### **Core JJB**

Total turnover for the ten weeks to 5 October 2003 within the core JJB business has increased by 1.7 per cent over the corresponding period last year and included a like-for-like decrease of 1.1 per cent. Following a very successful "back-to-school" period, the gross margin has increased to 49.2 per cent compared to 46.7 per cent in the same period last year.

The Board believes that these results reflect the improvements in its buying and merchandising functions and when compared to the gross margin achieved in the core JJB business over the second half of the last financial year of 46.4 per cent, makes the Board confident of achieving a successful outcome to the full year results.

### **TJ Hughes**

Total turnover for the ten weeks to 5 October 2003 within TJ Hughes was 10.3 per cent higher than the comparative period last year, including an increase in like-for-like turnover of 7.4 per cent; the gross margin achieved during this period is higher by 30 basis points than that achieved in the same period last year. Whilst these figures are encouraging, turnover levels were relatively weak during parts of the comparative period last year.

TJ Hughes achieved strong turnover growth during the peak Christmas trading period in each of the last two years and replicating these figures during the peak period will be important to the overall outcome for the current year.

The success of the margin enhancement programme formulated after the acquisition of TJ Hughes makes the Board confident that further progress in profitability can be achieved in the future.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE 26 WEEKS TO 27 JULY 2003**

	<u>Unaudited</u> 26 weeks to 27 July 2003 £'000	<u>Unaudited</u> 26 weeks to 28 July 2002 £'000	<u>Audited</u> 52 weeks to 26 January 2003 £'000
<b>Turnover</b>	460,637	405,498	934,276
Cost of sales	<u>(254,451)</u>	<u>(216,934)</u>	<u>(519,271)</u>
<b>Gross profit</b>	206,186	188,564	415,005
Other operating expenses including goodwill amortisation and exceptional items	<u>(180,677)</u>	<u>(154,236)</u>	<u>(334,247)</u>
<b>Operating profit</b>	25,509	34,328	80,758
<b>Operating profit before goodwill amortisation and exceptional items</b>	37,489	40,801	93,822
Goodwill amortisation	(6,592)	(6,473)	(13,064)
Exceptional items (see note 2)	(5,388)	-	-
Interest receivable	3,516	3,875	7,831
Interest payable and similar charges	<u>(4,836)</u>	<u>(5,354)</u>	<u>(11,329)</u>
<b>Profit on ordinary activities before taxation</b>	24,189	32,849	77,260
Taxation on profit on ordinary activities	<u>(9,533)</u>	<u>(12,022)</u>	<u>(27,492)</u>
<b>Profit on ordinary activities after taxation</b>	14,656	20,827	49,768
Dividends paid and proposed	<u>(7,059)</u>	<u>(5,288)</u>	<u>(17,040)</u>
<b>Retained profit for the period</b>	<u>7,597</u>	<u>15,539</u>	<u>32,728</u>
<b>Profit on ordinary activities before taxation, goodwill amortisation and exceptional items</b>	<u>36,169</u>	<u>39,322</u>	<u>90,324</u>
<b>Headline earnings per ordinary share</b>	11.33p	11.07p	26.10p
<b>Earnings per ordinary share</b>	6.23p	8.44p	20.68p
<b>Diluted earnings per ordinary share</b>	<u>6.23p</u>	<u>8.41p</u>	<u>20.58p</u>
<b>Dividends per ordinary share</b>			
Interim	3.00p	2.25p	2.25p
Final	-	-	5.00p
	<u>3.00p</u>	<u>2.25p</u>	<u>7.25p</u>

Headline earnings per ordinary share have been calculated on profit after taxation but before goodwill amortisation and exceptional items.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE 26 WEEKS TO 27 JULY 2003**

	<u>Unaudited</u> 26 weeks to 27 July 2003 £'000	<u>Unaudited</u> 26 weeks to 28 July 2002 £'000	<u>Audited</u> 52 weeks to 26 January 2003 £'000
Profit on ordinary activities after taxation	14,656	20,827	49,768
Exchange rate movement	276	6	204
<b>Total recognised gains relating to the period</b>	<u>14,932</u>	<u>20,833</u>	<u>49,972</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS  
FOR THE 26 WEEKS TO 27 JULY 2003**

	<u>Unaudited</u> 26 weeks to 27 July 2003 £'000	<u>Unaudited</u> 26 weeks to 28 July 2002 £'000	<u>Audited</u> 52 weeks to 26 January 2003 £'000
Retained profit for the period	7,597	15,539	32,728
Exchange rate movement	276	6	204
	<u>7,873</u>	<u>15,545</u>	<u>32,932</u>
Proceeds of share issues	480	-	-
Consideration paid on purchase of own shares	-	(24,636)	(24,636)
Opening shareholders' funds	325,175	316,879	316,879
<b>Closing shareholders' funds</b>	<u>333,528</u>	<u>307,788</u>	<u>325,175</u>

**CONSOLIDATED BALANCE SHEET  
AS AT 27 JULY 2003**

	<u>Unaudited</u> As at 27 July 2003 £'000	<u>Unaudited</u> As at 28 July 2002 £'000	<u>Audited</u> As at 26 January 2003 £'000
<b>Fixed Assets</b>			
Intangible assets - goodwill	200,827	213,979	207,414
Tangible assets	198,405	191,482	198,709
	<u>399,232</u>	<u>405,461</u>	<u>406,123</u>
<b>Current assets</b>			
Stock	165,895	169,007	147,906
Debtors	8,039	10,251	16,889
Loan note deposit (secured)	170,478	170,478	170,478
Cash at bank and in hand	36,901	3,795	37,251
	<u>381,313</u>	<u>353,531</u>	<u>372,524</u>
<b>Creditors: amounts falling due within one year</b>			
Borrowings	(172,478)	(181,674)	(172,478)
Others	(167,424)	(152,168)	(151,091)
	<u>(339,902)</u>	<u>(333,842)</u>	<u>(323,569)</u>
<b>Net current assets</b>	41,411	19,689	48,955
<b>Total assets less current liabilities</b>	440,643	425,150	455,078
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings	(75,216)	(82,580)	(95,898)
Others	(12,407)	(14,386)	(14,257)
	<u>(87,623)</u>	<u>(96,966)</u>	<u>(110,155)</u>
<b>Provisions for liabilities and charges</b>	(19,492)	(20,396)	(19,748)
<b>Net assets</b>	<u>333,528</u>	<u>307,788</u>	<u>325,175</u>
<b>Capital and reserves</b>			
Called-up share capital	11,765	11,752	11,752
Share premium account	152,303	151,836	151,836
Capital redemption reserve	706	706	706
Profit and loss account	168,754	143,494	160,881
<b>Equity shareholders' funds</b>	<u>333,528</u>	<u>307,788</u>	<u>325,175</u>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE 26 WEEKS TO 27 JULY 2003**

	<u>Unaudited</u> 26 weeks to 27 July 2003 £'000	<u>Unaudited</u> 26 weeks to 28 July 2002 £'000	<u>Audited</u> 52 weeks to 26 January 2003 £'000
<b>Net cash inflow from operating activities</b>	<b>53,143</b>	72,193	149,298
<b>Returns on investments and servicing of finance</b>			
Interest received	3,516	3,875	7,831
Interest paid	(4,518)	(5,036)	(10,677)
<b>Net cash outflow</b>	<b>(1,002)</b>	(1,161)	(2,846)
<b>Taxation</b>			
UK corporation tax paid	(4,392)	(9,104)	(30,730)
Foreign tax paid	(129)	(260)	(350)
<b>Net cash outflow</b>	<b>(4,521)</b>	(9,364)	(31,080)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets	(16,487)	(24,416)	(47,307)
Sale of tangible fixed assets	794	1,977	6,142
<b>Net cash outflow</b>	<b>(15,693)</b>	(22,439)	(41,165)
<b>Acquisitions</b>			
Purchase of subsidiary undertaking	(5)	(44,027)	(44,065)
Net overdraft acquired with subsidiary undertaking	-	(7,567)	(7,567)
<b>Net cash outflow</b>	<b>(5)</b>	(51,594)	(51,632)
<b>Equity dividends paid</b>	<b>(11,752)</b>	(12,370)	(17,658)
<b>Cash inflow (outflow) before management of liquid resources and financing</b>	<b>20,170</b>	(24,735)	4,917
<b>Financing</b>			
Issues of ordinary share capital	480	-	-
(Decrease) increase in loans	(21,000)	35,500	48,500
Purchase of own shares	-	(24,636)	(24,636)
<b>Net cash (outflow) inflow</b>	<b>(20,520)</b>	10,864	23,864
<b>(Decrease) increase in cash in the period</b>	<b>(350)</b>	(13,871)	28,781

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW  
FROM OPERATING ACTIVITIES FOR THE 26 WEEKS TO 27 JULY 2003**

	<u>Unaudited</u> 26 weeks to 27 July 2003 £'000	<u>Unaudited</u> 26 weeks to 28 July 2002 £'000	<u>Audited</u> 52 weeks to 26 January 2003 £'000
Operating profit after amortisation	25,509	34,328	80,758
Goodwill amortisation	6,592	6,473	13,064
Depreciation of tangible fixed assets	13,309	10,315	22,986
Loss (profit) on sale of tangible fixed assets	2,817	722	(318)
(Increase) decrease in stocks	(17,989)	(17,961)	3,140
Decrease in debtors	8,850	11,204	4,566
Increase in creditors	14,055	27,112	25,102
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<b>Net cash inflow from operating activities</b>	<b>53,143</b>	<b>72,193</b>	<b>149,298</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
FOR THE 26 WEEKS TO 27 JULY 2003**

	<u>Unaudited</u> 26 weeks to 27 July 2003 £'000	<u>Unaudited</u> 26 weeks to 28 July 2002 £'000	<u>Audited</u> 52 weeks to 26 January 2003 £'000
(Decrease) increase in cash in the period	(350)	(13,871)	28,781
Cash outflow (inflow) from change in debt	21,000	(35,500)	(48,500)
Change in net debt resulting from cash flows	20,650	(49,371)	(19,719)
Loan acquired with subsidiary	-	(10,000)	(10,000)
Amortisation of finance costs	(318)	(318)	(636)
Movement in net debt in the period	20,332	(59,689)	(30,355)
Opening net debt	(60,647)	(30,292)	(30,292)
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<b>Closing net debt</b>	<b>(40,315)</b>	<b>(89,981)</b>	<b>(60,647)</b>

**ANALYSIS OF NET DEBT**

	At 27 January 2003 £'000	Cash Flow £'000	Other non-cash items £'000	At 27 July 2003 £'000
Loan note deposit	170,478	-	-	170,478
Cash at bank and in hand	37,251	(350)	-	36,901
Borrowings	(268,376)	21,000	(318)	(247,694)
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## NOTES ON INTERIM REPORT FOR THE 26 WEEKS TO 27 JULY 2003

### 1. Basis of Preparation

The Interim report has been drawn up under the same accounting policies as those used for the Annual report and financial statements for the year ended 26 January 2003. The Interim report does not constitute full statutory accounts and is unaudited. It has, however, been reviewed by the Auditors and their report to the Directors is set out on page 14. Full year figures for the year ended 26 January 2003 have been extracted from the Annual report and financial statements for that year, which received an unqualified audit opinion and have been filed with the Registrar of Companies.

### 2. Operating exceptional items

	26 weeks to 27 July 2003 £'000	26 weeks to 28 July 2003 £'000	52 weeks to 26 January 2003 £'000
Losses on closure of certain flagship stores and the subsequent disposal of the leases to those stores	4,608	-	-
Legal costs incurred on the abortive management buy out of the Group	780	-	-
	<u>5,388</u>	<u>-</u>	<u>-</u>

### 3. Segmental information

#### A. By class of business was as follows:

##### i) Turnover

	26 weeks to 27 July 2003 £'000	26 weeks to 28 July 2002 £'000	52 weeks to 26 January 2003 £'000
<u>Continuing operations</u>			
JJB retail stores	347,869	350,686	742,441
Leisure Division	20,638	11,855	27,390
TJ Hughes	92,130	42,957	164,445
<b>Turnover</b>	<u>460,637</u>	<u>405,498</u>	<u>934,276</u>

##### ii) Profit before taxation

	26 weeks to 27 July 2003 £'000	26 weeks to 28 July 2002 £'000	52 weeks to 26 January 2003 £'000
<u>Continuing operations</u>			
JJB retail stores	22,063	32,719	70,296
Leisure Division	3,096	1,630	3,850
TJ Hughes	350	(21)	6,612
	<u>25,509</u>	<u>34,328</u>	<u>80,758</u>
Net interest payable	(1,320)	(1,479)	(3,498)
<b>Profit before taxation</b>	<u>24,189</u>	<u>32,849</u>	<u>77,260</u>

### 3. Segmental information (continued)

#### iii) Net assets

	26 weeks to 27 July 2003 £'000	26 weeks to 28 July 2002 £'000	52 weeks to 26 January 2003 £'000
<u>Continuing operations</u>			
JJB retail stores	91,602	112,773	117,310
Leisure Division	41,394	27,786	33,574
TJ Hughes	40,020	43,231	27,524
	<u>173,016</u>	<u>183,790</u>	<u>178,408</u>
Net debt	(40,315)	(89,981)	(60,647)
Goodwill	200,827	213,979	207,414
<b>Net assets</b>	<u>333,528</u>	<u>307,788</u>	<u>325,175</u>

#### B. By geographical origin was as follows:-

##### i) Turnover

	26 weeks to 27 July 2003 £'000	26 weeks to 28 July 2002 £'000	52 weeks to 26 January 2003 £'000
UK continuing operations	453,992	401,644	924,526
Europe (excluding UK)	6,645	3,854	9,750
<b>Turnover</b>	<u>460,637</u>	<u>405,498</u>	<u>934,276</u>

##### ii) Profit before taxation

	26 weeks to 27 July 2003 £'000	26 weeks to 28 July 2002 £'000	52 weeks to 26 January 2003 £'000
UK continuing operations	26,288	34,487	81,133
Europe (excluding UK)	(779)	(159)	(375)
	<u>25,509</u>	<u>34,328</u>	<u>80,758</u>
Net interest payable	(1,320)	(1,479)	(3,498)
<b>Profit before taxation</b>	<u>24,189</u>	<u>32,849</u>	<u>77,260</u>

##### iii) Net assets

	26 weeks to 27 July 2003 £'000	26 weeks to 28 July 2002 £'000	52 weeks to 26 January 2003 £'000
UK continuing operations	173,509	183,923	178,319
Europe (excluding UK)	(493)	(133)	89
	<u>173,016</u>	<u>183,790</u>	<u>178,408</u>
Net debt	(40,315)	(89,981)	(60,647)
Goodwill	200,827	213,979	207,414
<b>Net assets</b>	<u>333,528</u>	<u>307,788</u>	<u>325,175</u>

#### 4. Office of Fair Trading

In August 2003, the Office of Fair Trading (OFT) pronounced JJB guilty of price-fixing the sales of replica kit over a two year period during 2000 and 2001 and levied a fine of £8.4 million. No provision has been made in respect of this fine in the financial information as, on the basis of advice received, the Board believes that the appeal will be successful.

#### 5. Dividend

The Directors have declared an interim dividend of £7,059,000, representing 3.00p net per ordinary share to be paid on 10 December 2003 to shareholders whose names appear on the register at 14 November 2003.

For the year ended 26 January 2003, an interim dividend of £5,288,000, representing 2.25p net per ordinary share was paid on 11 December 2002 and a final dividend of £11,752,000 representing 5.0p net per ordinary share was paid on 15 July 2003.

#### 6. Earnings per share

Earnings per share have been calculated as follows:

	<b>26 weeks to 27 July 2003 £'000</b>	26 weeks to 28 July 2002 £'000	52 weeks to 26 January 2003 £'000
<b>Headline earnings:</b>			
Profit on ordinary activities after taxation but before goodwill amortisation and exceptional items	<b>26,636</b>	27,300	62,832
Goodwill amortisation	<b>(6,592)</b>	(6,473)	(13,064)
Exceptional items	<b>(5,388)</b>	-	-
	<b>14,656</b>	20,827	49,768
Weighted average number of ordinary shares in issue (thousands)	<b>235,149</b>	246,702	240,719
Headline earnings per ordinary share	<b>11.33p</b>	11.07p	26.10p
Earnings per ordinary share	<b>6.23p</b>	8.44p	20.68p
Diluted earnings per ordinary share	<b>6.23p</b>	8.41p	20.58p

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

## **INDEPENDENT REVIEW REPORT TO JJB SPORTS PLC**

### **Introduction**

We have been instructed by the Company to review the financial information for the 26 weeks ended 27 July 2003 which comprises the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and related notes 1 to 6, together with the reconciliation of movements in shareholders' funds, the reconciliation of operating profit to net cash inflow from operating activities, the reconciliation of net cash flow to movements in net debt and the analysis of net debt. We have read the other information contained in the Interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The Interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks to 27 July 2003.

Deloitte & Touche LLP  
Chartered Accountants  
8 October 2003