

## Regulatory Story

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**Company** JJB Sports PLC  
**TIDM** JJB  
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JJB Sports PLC  
24 September 2009

### Half yearly results for the 26 weeks to 26 July 2009

JJB Sports plc ("JJB", "JJB Sports" or the "Company") today announces its unaudited interim results for the 26 weeks to 26 July 2009

#### Financial highlights

	(Unaudited) 26 weeks to 26 July 2009	(Unaudited) 26 weeks to 27 July 2008	Change
<b>Ongoing retail</b>			
Revenue	£167.3m	£212.6m	-21.3%
Gross margin	34.0%	48.7%	-14.7PP
Operating (loss) profit	£(41.9)m	£2.0m	-2220%
Adjusted operating (loss) profit*	£(42.5)m	£1.9m	-2175%

\* Adjusted operating (loss) profit and adjusted (loss) profit before taxation are shown before crediting (debiting) various exceptional operating items totalling £0.6 million (2008: £(0.1) million) and debiting exceptional bank arrangement fees and charges of £0.3 million (2008:£nil), as shown in the consolidated income statement on page 12.

#### Total retail

Revenue	£178.6m	£310.4m	-42.5%
Gross margin	33.6%	46.8%	-13.2PP
Operating loss	£(42.3)m	£(15.5)m	-173%
Adjusted operating loss*	£(45.7)m	£(14.6)m	-213%
Loss before taxation	£(42.9)m	£(14.8)m	-189%
Adjusted loss before taxation*	£(46.0)m	£(13.9)m	-230%

Basic loss per share			
• continuing operations	(14.11)p	(4.48)p	-9.63p
• continuing and discontinued operations	(10.86)p	(0.11)p	-10.75p

\* Adjusted operating loss and adjusted loss before taxation are shown before crediting (debiting) various exceptional operating items totalling £3.4 million (2008: £(0.9) million) and debiting exceptional bank arrangement fees and charges of £0.3 million (2008:£nil), as shown in the consolidated income statement on page 12.

### Highlights for the 26 week period ended 26 July 2009

- Revenue impacted by net reduction in the store portfolio.
- Disposal of Fitness Clubs business for £83.4 million to Dave Whelan Sports Limited in March 2009.
- Original Shoe Company and Qube placed into administration in February 2009 to stem substantial losses.
- Significant progress in cost reduction
- Overwhelming creditor and shareholder support for the innovative CVA proposal in April 2009 with successful implementation on 29 May 2009.
- Appointment of three new highly experienced executive Directors.
- New financing arrangements agreed in June 2009 with Bank of Scotland for a facility of £25 million, and a further £10 million agreed on 23 September 2009, together with a relaxation of financial covenants.

Commenting on the interim results, Sir David Jones, Executive Chairman of JJB Sports, said:

"The progress we have made since the start of 2009 in restructuring and refinancing this Company is a result of the hard work and efforts of everyone throughout the business. I would like to extend the Board's continuing gratitude to our colleagues for their diligence. However, what we have achieved to date and the volume of work which remains to be done is a reminder of the state of financial health in which the Company found itself at the start of the year.

"Today's announcement shows a marked decline in ongoing retail operations compared to the same period last year largely because of stock shortages in our stores during the period. We are confident that the actions we have taken during the period to restructure the business will allow us to move forward and rebuild our stock inventory by the first quarter of 2010. Although the retail environment remains challenging, we are encouraged by the early signs of improvement in like-for-like sales trends and gross margins in recent weeks."

An analyst meeting will be held today at Panmure Gordon's offices, Moorgate Hall, 155, Moorgate, London EC2M 6XB at 9.30 am.

For further information, please contact

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

### **About JJB Sports**

JJB Sports plc (JJB: LSE) is one of the UK's leading sports retailers. The group, headquartered in Wigan and listed on the Main Market of the London Stock Exchange, trades from over 250 JJB branded retail stores in the UK and Ireland and employs over 6,350 people. Further information about the group can be found on the group's corporate website, [www.jjbcorporate.co.uk](http://www.jjbcorporate.co.uk)

## **JJB Sports plc**

### **Half yearly results for the 26 weeks to 26 July 2009**

#### **Chairman's statement**

##### **Trading results and strategy**

During the 26 week period to 26 July 2009 we have been concentrating on:

- easing the financial pressures on the Company.
- laying sound foundations and securing the platform for the recovery of the ongoing retail business.

In the first half of 2009 we were on the brink of going into administration but thanks to a lot of hard work and original thinking by the new management team and our advisors we are in the process of implementing a restructuring and refinancing plan to provide a platform from which to secure the longer term future of the Group.

This was achieved by:

- placing the Group's two loss-making leisure footwear subsidiaries, Original Shoe Company Limited and Qubefootwear Limited, into administration.
- selling the Fitness Club business consisting of 53 fitness clubs with attached stores and related stock to Dave Whelan Sports Limited for a total consideration after adjustments of £79.3 million (see note 6).
- implementation of the CVA proposal in which the landlords of approximately 140 closed retail stores agreed to compromise their claims for rent under the leases, and the terms of open retail stores, approximately 250 in total, were temporarily varied.
- restructuring the banking arrangements of the business.

Following completion of the CVA, a new banking facility was put in place with the Bank of Scotland. This facility, which has recently been increased by a further £10 million to cover seasonal working capital requirements and relaxed covenants for the next two testing periods, places the business on a sounder financial footing, and there are other initiatives in place to cover any future funding short falls. Given the above, the Directors are of the opinion that the Group has adequate resources to continue as a going concern for the foreseeable future although I would like to draw your attention to those material uncertainties which the Board has felt appropriate to take into account in forming its conclusion on going concern, as set out in note 2 of the accounts.

As announced on 6 July the Board is reviewing a range of possible options to provide additional working capital for the Group. These include the disposal of further non-core assets, an extension in the maturity date of the Company's current working capital facility beyond September 2010, and a possible equity capital raising by way of a placing and open offer.

The plans for the recovery of the ongoing retail business have been frustrated by the fact that during the past nine months of financial difficulties the Group has had to exist with stock levels significantly below the previous year.

This coupled with the traditional long lead times in the sports wear trade - six months from the order of stocking to its delivery - means that the stock level and quality of stock is unlikely to significantly improve before the first quarter of 2010.

The consequence of this is that sales in the 26 week period to 26 July 2009 for ongoing retail are down 21.3% at £167.3m with operating losses amounting to £41.9 million compared to an operating profit for the comparative period of £2.0 million.

We have however been able to achieve good progress in our Serious about Sport strategy in a number of areas which we believe will result in improvements in profitability once stock levels and like-for-like sales return to a more normal level:

- a 45% reduction in head office staffing levels.
- a 16% reduction in warehousing staffing levels.
- starting the re-organisation of the store staffing levels.
- improving the stores layouts to make a more prominent feature of Adidas and Nike.
- discontinuing the stocking of the more down market brands and replacing these with internally developed own brands.

Significant progress has been made in improving internal controls within the business following weaknesses identified in the Annual Report and Accounts for the 52 weeks ended 25 January 2009. PricewaterhouseCoopers has been engaged to undertake our internal audit function; Directors expenses go through a formal approval process; acquisitions and disposals are fully reviewed by the Board; and the Board has been strengthened by the appointment of a new Senior Independent Non-executive Director. The Board intends to appoint further Non-executive Directors before the end of 2009 and is well advanced with this process. Further announcements will be made when appropriate. As noted in the Annual Report, the Board has commenced the process of looking for a full time CEO. This process is continuing and the Company will make a further announcement when appropriate. Following the appointment of a new CEO, it is intended I will become part-time Chairman.

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, following an approach the Company made to the OFT on 30 January 2009 for immunity pursuant to the OFT's leniency programme. OFT officers visited the Company's offices in Wigan on 10 September 2009 as part of this investigation. The Company notes the public statements made by the Serious Fraud Office (the "SFO") on 10 September 2009 that it is investigating the activities of JJB Sports and Sports Direct International in connection with suspected offences under the Fraud Act and the Enterprise Act. Representatives of the SFO have not contacted the Company in connection with their investigation and have not visited the Company's offices. The Company has given permission to the OFT to pass any relevant materials from its investigation to the SFO. The Company has contacted the SFO directly regarding its public statements and the SFO has confirmed that its investigation is focused on the activities of certain individuals rather than the Company. The Directors do not believe that the Company has committed any offences under the Fraud Act for which it would be prosecuted given its leniency status and that otherwise the Directors consider the Company is the victim of certain other offences. Further, as announced on 10 September 2009, if the OFT were to complete its investigation, decide that the Company has infringed UK Competition Law under the Enterprise Act 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. The Company cannot comment further on the matter at this stage and a further announcement will be made as appropriate.

Sir David Jones CBE  
Chairman  
23 September 2009

## Trading Results

### Segmental results - operating losses

The segment results for the 26 weeks to 26 July 2009 and the comparative figures for the 26 weeks to 27 July 2008 are shown below. Given the administration of the Lifestyle division and the sale of the Fitness Clubs business (the attached stores are not treated as a discontinued item - see note 3), we have separated out the ongoing retail business and re-presented comparatives to show the ongoing trading revenue of the Group.

	26 weeks to 26 July 2009 (unaudited)					
	Ongoing retail £'000	Other items* £'000	Retail operations £'000	Fitness clubs £'000	Discontinued operations £'000	Total £'000
Revenue	167,262	11,300	178,562	11,234	(11,234)	178,562
Gross profit	56,861	3,130	59,991	10,832	(10,832)	59,991
Location net operating expenses	(89,632)	(8,570)	(98,202)	(9,334)	9,334	(98,202)
Operating (loss) profit before central costs and exceptional items	(32,771)	(5,440)	(38,211)	1,498	(1,498)	(38,211)
Operating (loss) profit before central costs and exceptional items						(38,211)
Central costs						(10,219)
Operating (loss) before exceptional items						(48,430)
Exceptional items						3,417
Lifestyle trading losses to cessation						2,696
Operating (loss)						(42,317)

	26 weeks to 27 July 2008 (unaudited/re-presented*)					
	Ongoing retail	Other items*	Retail operations	Fitness clubs	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	212,648	97,727	310,375	34,347	(34,347)	310,375
Gross profit	103,654	41,478	145,132	33,101	(33,101)	145,132
Location net operating expenses	(90,768)	(54,178)	(144,946)	(26,884)	26,884	(144,946)
Operating profit (loss) before central costs and exceptional items	12,886	(12,700)	186	6,217	(6,217)	186
Central costs						(14,778)
Operating (loss) before exceptional items						(14,592)
Exceptional items						(902)
Operating (loss)						(15,494)

\* Other items represents results of retail cessations during the period including stores attached to the Fitness Clubs, OSC and Qube stores, and other retail stores closed during the period. Due to the disposal of the Fitness Clubs, comparative numbers have been re-presented to reflect that these are discontinued items. Further information is given in note 6.

## Operating and financial review

### Retail operations

Segment revenue for the retail operations is down 42.5 per cent on the comparative period partly due to the assignment or closure of 96 stores during the comparative half year, coupled with a like-for-like decrease, on stores which have been in operation for over 52 weeks, of 27.3 per cent.

The segment gross margin percentage for the retail operations for the 26 weeks to 26 July 2009 was 33.6 per cent, down by 13.2% on the comparative period. The reduction reflects lower margins on store clearance products, and difficulties obtaining the correct stock mix due to low cash levels.

Segment operating costs before exceptional items for the retail operation have decreased by 32.2 per cent to £98.2 million.

As a result of the above, segment results from the retail operations, which is the segment operating loss before central costs and exceptional operating items, was £(38.2) million, compared to £0.2 million profit last year.

### Discontinued Operations

Discontinued operations represent the Fitness Clubs (excluding attached retail stores) sold on 25 March 2009, and represents a profit for the period of £8.1 million, which includes a release of deferred lease incentives of £7.2 million (net of taxation). During the comparative period the profit was £10.3 million.

During the 26 weeks to 26 July 2009 we have concentrated on selling out of the old inherited merchandise ranges. New ranges have been sourced and plans to alter store layouts are being implemented during the second half of the year.

### **JJB stores and store development**

On 19 February 2009, Original Shoe Company Limited and Qubefootwear Limited were placed into administration. On 25 March 2009 the disposal of the fitness club business comprising of 53 fitness clubs and attached stores was completed.

On 29 May 2009, when the CVA proposal was successfully implemented (see note 17), the claims of landlords in respect of the closed retail stores included in the CVA were compromised.

At 26 July 2009, the Group operated from 246 stores, and 5 clearance stores. The retail stores contained 2.763 million square feet of retail space compared to a total of 381 retail stores in operation at 25 January 2009 containing 3.674 million square feet of retail space (including the Lifestyle division which was put into administration on 19 February 2009).

### **Exceptional operating items**

Exceptional operating items for ongoing retail operations for the 26 weeks amounted to a credit of £0.6 million and includes a net £0.5 million profit on the sale of property, plant and equipment on ongoing retail operations. Releases of property provisions on the successful implementation of the CVA totalled £14.6 million offset by a provision created for the CVA fund of £10.0 million. Reorganisation costs of £11.7 million principally represent professional fees expended during the period, and release of the deferred lease incentives of £15.6 million arose on the assignment of leases of the Fitness Clubs attached retail stores.

### **Net loss**

Net loss before taxation (after crediting net exceptional items) for ongoing retail amounted to £42.4 million and compares to a net profit before tax of £2.6 million in 2008.

### **Taxation**

The effective rate of taxation on Group profit before taxation for the full year is expected to be 28.0 per cent, compared to 28.6 per cent in the comparative period.

### **Balance sheet**

Capital expenditure on property, plant and equipment during the 26 weeks to 26 July 2009 was £0.4 million compared to £27.7 million in the same period last year.

There was and continues to be a clear policy of restricting capital expenditure in the light of the Company's precarious financial position. The Leisure division, which has now been sold accounted for the principal amount expended in previous periods.

The value of inventories decreased to £47.8 million at 26 July 2009, compared to £144.6 million at 27 July 2008, as a result of suppliers' reluctance to supply merchandise whilst the future of the Company was very uncertain, a clearance programme of non-current stock in July 2009, together with a reduction in store numbers. Adjustments have also been made to our buying plan in view of the reduced number of stores.

Net funds at 26 July 2009 amounted to £2.1 million compared to a net debt of £57.6 million at 27 July 2008 and a net debt of £34.4 million at 25 January 2009.

## **Current trading**

We are now seeing signs of improvement in our like-for-like sales during the second half of 2009. Gross margins are also improving with the underlying margin - excluding clearance stores - returning to previous year levels.

Like-for-like sales for ongoing retail has steadily improved since the end of the first half year. Sales for 4 weeks to 23 August were -37% like-for-like whilst for the following 4 weeks were -28%. Gross margin over the same period has improved to over 47%.

Minor refits have been undertaken in 32 stores since the half year and early results are encouraging. Average purchases per transaction are above the remainder of the stores, but the full benefit of these refits will not be seen until improvements in stock holding are received.

Since the half year-end we have negotiated an additional £10 million facility with Bank of Scotland to cover seasonal working capital requirements and also a relaxation of the covenants at the next two testing periods. This increases our overall facility with BoS to £35 million which covers the period to 30 September 2010.

We are very pleased with the support we have received from our suppliers, employees, investors, bank and advisors; we would not be here today without their backing for our strategy. We remain extremely cautious about the remainder of the financial year. We are unlikely to see a significant improvement in stock levels or quality before the beginning of 2010, and it will not be until 2010/11 that we will see any consequent improvement in JJB's performance. Your Board is completely focused on achieving this objective.

Sir David Jones CBE  
Executive Chairman  
23 September 2009

## **Principal risks and uncertainties**

As the process to strengthen the internal control environment develops, the Board continues to identify and review key business risks and oversees 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; the Executive Directors are charged with reporting to the Board on their outcomes. There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the 52 week period ended 25 January 2009. A detailed explanation of the risks detailed below can be found on page 9 of the annual report which is available at the Company's corporate website [www.jjbcorporate.co.uk](http://www.jjbcorporate.co.uk) In addition to the risks associated with the going concern assumption, which is described in further detail in note 2, the key risks identified by the Board include:

### **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. This is particularly relevant at the current time where present economic conditions are having a particularly adverse effect upon consumers' buying habits.

### **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 is seeking 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 e-commerce capability.

### **Availability of credit**

The future cost and availability of finance will affect the ability to undertake investment in the current store portfolio and expansion into new sites. JJB continues to foster a strong relationship with BoS (the new principal providers of loan finance) which will enable the Company to implement its medium and long term strategy.

### **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.

### **Suppliers**

JJB is dependant 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.

### **The impact of currency**

The fall in value of sterling against the dollar has proved challenging, especially since the Company was required to dispose of the forward foreign exchange contracts we previously had in place. There may be further currency fluctuations in the future which would impact on the Company.

### **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 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. JJB has extensive controls in place to maintain the integrity and efficiency of our IT infrastructure.

### **Revenue dependence on key sporting events**

JJB derives some benefit in alternate years from the sale of replica kits if the England national football team reaches the finals of the two major competitions (the FIFA World Cup and the Euro Championships). This benefit is lost if the England team fails to qualify for the finals of those competitions. In order to mitigate this situation, JJB is implementing 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 part 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.

## **Cautionary note regarding forward looking statements**

Certain statements included in these results contain forward-looking information concerning the Company's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Company operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward looking statements. For a detailed analysis of the factors that may affect our business, financial performance or results of operations, we urge you to look at the "Principal Risks and Uncertainties" included in JJB Sports plc's Annual Report and Accounts for the 52 weeks ended 25 January 2009. Nothing in these results should be construed as a profit forecast and no part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in JJB Sports plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward looking statements.

The Company has not registered and does not intend to register any securities under the US Securities Act of 1933, as amended (the 'Securities Act'). Securities may not be offered or sold in the United States absent registration under the Securities Act or an exemption from, or in a transaction not subject to, registration.

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

For the 26 week period ended 26 July 2009

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 26 July 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flow, and the related notes 1 to 19 of these condensed consolidated financial statements. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 26 July 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## **Emphasis of matter - going concern**

Without qualifying our conclusion, we draw attention to the disclosures in note 2 of the condensed financial statements concerning the group's ability to continue as a going concern. These include the following material uncertainties:

- i. future trading may not be in line with the assumptions in the Group's latest forecasts, the achievability of which is dependent on (a) the ability of the Group to implement and execute its stock replenishment policy; (b) the current economic environment; (c) the implementation of cost reduction programmes; (d) continued support from certain of the Group's stock suppliers to maintain existing and provide further lines of credit; and (e) the continued ability of the Group to effectively manage its short term working capital;
- ii. the assignment of the remaining 6 leases in connection with the sale of the fitness clubs business may not proceed in line with the Directors' assumption and, consequently, the remaining deferred consideration of approximately £8.2 million may not be released from escrow to the Company. The Directors have assumed that £2.8 million is received by the end of September 2009, £2.4 million by end of October 2009 and £3 million by the end of March 2010; and
- iii. forecast cash receipts from the sale of non-core assets (including from the disposal of the Group's rights to the Slazenger brand for golf products) by the end of October 2009 may be received later than anticipated or not at all.

Relatively small variations in the assumptions underlying the Group's latest forecasts could lead to funding shortfalls and/or potential breaches of the financial covenants in the Group's working capital facility at any time in the future.

These events and conditions, along with other matters as set forth in note 2, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The half year report does not include the adjustments that would result if the Group were unable to continue as a going concern, which would include writing down the carrying value of assets, including goodwill, to their recoverable amount and providing for any further liabilities that might arise as it is not practicable to determine or quantify them.

**Deloitte LLP**

Chartered Accountants and Statutory Auditors  
Manchester  
23 September 2009

**Condensed consolidated income statement**  
For the 26 weeks to 26 July 2009

26 weeks to  
26 July 2009 (unaudited)

	Ongoing retail	Other	Total
	£'000	items* £'000	£'000
<b>Continuing operations</b>			
<b>Revenue</b>	167,262	11,300	178,562
Cost of sales	(110,401)	(8,170)	(118,571)
<b>Gross profit</b>	56,861	3,130	59,991
Other operating income	1,640	705	2,345
Distribution expenses	(9,278)	(539)	(9,817)
Administration expenses	(12,188)	(532)	(12,720)
Selling expenses	(78,924)	(3,192)	(82,116)
<b>Operating loss</b>	(41,889)	(428)	(42,317)
<b>Operating loss is stated after (charging) crediting</b>			
Release for restructuring of retail store chain	Note 13	-	12,975
Release of other vacant store provision	Note 13	-	1,447
Provision for CVA fund	Note 13	-	(10,000)
Release of dilapidations provision		-	225
		-	4,647
Re-organisation costs		-	(11,694)
Net loss on disposal of intangible assets		(29)	-
Net gain (loss) on disposal of property, plant and equipment		725	(111)
Loss on disposal of investment in associate		(125)	-
Loss on disposal of attached retail stores		-	(2,267)
Release of deferred lease incentives		-	15,560
Lifestyle - Trading losses to administration		-	(2,696)
- Loss on de-recognition		-	(593)
		571	2,846
Investment income			1,882
Finance costs			(2,667)
<b>Finance costs are stated after charging</b>			
Exceptional bank arrangement fees and charges			(250)
Fair value on derivative instruments			903
Debt issue costs			(321)
Share of results of associated undertaking			(350)
<b>Loss before taxation</b>			(42,870)
Taxation	Note 5		7,480
<b>Loss for the period from ongoing operations</b>			(35,390)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	Note 6		8,152
Profit for the period from discontinued operations is stated after crediting (charging)			
Release of deferred lease incentives			7,164
Loss on disposal of property plant and equipment			(258)
			6,906
<b>Loss for the period</b>			(27,238)

\* 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 period. Due to the disposal of the Fitness Clubs, comparative numbers have been re-presented to reflect that these are discontinued items. Further information is given in note 6.

**Condensed consolidated income statement**  
**For the 26 weeks to 27 July 2008**

26 weeks to  
27 July 2008 (unaudited/re-presented\*)

	Ongoing retail	Other items*	Total
	£'000	£'000	£'000
<b>Continuing operations</b>			
<b>Revenue</b>	212,648	97,727	310,375
Cost of sales	(108,994)	(56,249)	(165,243)
<b>Gross profit</b>	103,654	41,478	145,132
Other operating income	755	1,545	2,300
Distribution expenses	(11,919)	(4,082)	(16,001)
Administration expenses	(18,149)	(3,757)	(21,906)
Selling expenses	(72,365)	(52,654)	(125,019)
<b>Operating profit (loss)</b>	1,976	(17,470)	(15,494)
<b>Operating profit (loss) is stated after crediting (charging)</b>			
Net gain (loss) on disposal of property, plant and equipment	110	(1,012)	(902)
Investment income			5,559
Other gains and losses			1,989
Finance costs			(6,392)
Share of results of associated undertaking			(499)
<b>Loss before taxation</b>			(14,837)
Taxation	Note 5		4,252
<b>Loss for the period from ongoing operations</b>			(10,585)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	Note 6		10,322
Profit for the period from discontinued operations is stated after crediting			
Gain on disposal property plant and equipment			5,887
<b>Loss for the period</b>			(263)

\* 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 period. Due to the disposal of the Fitness Clubs, comparative numbers have been re-presented to reflect that these are discontinued items. Further information is given in note 6.

**Condensed consolidated income statement**  
**For the 52 weeks to 25 January 2009**

52 weeks to  
25 January 2009 (audited/re-presented\*)

	Ongoing retail £'000	Other items* £'000	Total £'000
<b>Continuing operations</b>			
<b>Revenue</b>	466,630	181,154	647,784
Cost of sales	(245,867)	(105,519)	(351,386)
<b>Gross profit</b>	220,763	75,635	296,398
Other operating income	1,592	2,724	4,316
Distribution expenses	(23,226)	(6,316)	(29,542)
Administration expenses	(28,078)	(6,380)	(34,458)
Selling expenses	(282,983)	(113,364)	(396,347)
<b>Operating loss</b>	(111,932)	(47,701)	(159,633)
<b>Operating loss is stated after (charging) crediting</b>			
Provision for restructuring of retail store chain	(20,742)	-	(20,742)
Other vacant store provision	(8,643)	(127)	(8,770)
	(29,385)	(127)	(29,512)
Goodwill impairment	(82,275)	-	(82,275)
Impairment of fitness club fixed assets	-	(8,784)	(8,784)
Re-organisation costs	(3,175)	-	(3,175)
Net loss on disposal of intangible assets,	(339)	-	(339)
Net gain (loss) on disposal of property, plant and			
equipment	1,907	(1,414)	493
Impairment of intangible assets	(2,150)	-	(2,150)
Impairment of loan and investment in associated			
undertaking	(4,923)	-	(4,923)
Loss on sale of assets held for resale	(114)	-	(114)
Impairment of businesses in administration	-	(8,695)	(8,695)
	(120,454)	(19,020)	(139,474)
Investment income			10,239
Other gains and losses			1,989
Finance costs			(22,704)
<b>Finance costs are stated after charging</b>			
Exceptional bank arrangement fees and charges			(10,974)
Share of results of associated undertaking			(103)
<b>Loss before taxation</b>			(170,212)
Taxation	Note 5		16,429
<b>Loss for the period from ongoing operations</b>			(153,783)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	Note 6		(13,773)
Loss for the period from discontinued operations is			
stated after (charging) crediting			
Impairment of fitness club fixed assets			(29,143)
Gain on disposal of property plant and equipment			5,914
			23,229
<b>Loss for the period</b>			(167,556)

\* 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 period. Due to the disposal of the Fitness Clubs, comparative numbers have been re-presented to reflect that these are discontinued items. Further information is given in note 6.

## Condensed consolidated income statement

For the 26 weeks to 26 July 2009

			(Unaudited) 26 weeks to 26 July 2009	(Unaudited) 26 weeks to 27 July 2008	(Audited) 52 weeks to 25 January 2009
<b>Loss per share</b>					
<b>From continuing operations</b>					
Basic loss per ordinary share	Note 8	Pence	(14.11)	(4.48)	(63.50)
Diluted loss per ordinary share	Note 8	Pence	(14.11)	(4.48)	(63.50)
<b>From continuing and discontinued operations</b>					
Basic loss per ordinary share	Note 8	Pence	(10.86)	(0.11)	(69.19)
Diluted loss per ordinary share	Note 8	Pence	(10.86)	(0.11)	(69.19)

## Condensed consolidated statement of comprehensive income

For the 26 weeks to 26 July 2009

	(Unaudited) 26 weeks to 26 July 2009 £'000	(Unaudited) 26 weeks to 27 July 2008 £'000	(Audited) 52 weeks to 25 January 2009 £'000
Loss on revaluation of available-for-sale investment taken to equity	-	(1,555)	(1,555)
Taxation effect on item taken directly to equity	-	435	435
Exchange differences on translation of foreign operations	(388)	(1,194)	1,549
<b>Net (expense) income recognised directly in equity</b>	<b>(388)</b>	<b>(2,314)</b>	<b>429</b>
<b>Loss after taxation for the period</b>	<b>(27,238)</b>	<b>(263)</b>	<b>(167,556)</b>
<b>Total recognised income and expense for the period</b>	<b>(27,626)</b>	<b>(2,577)</b>	<b>(167,127)</b>

**Condensed consolidated statement of changes in equity**  
For the 26 weeks to 26 July 2009

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Share based payment reserve £'000	Retranslation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 26 January 2009</b>	12,542	174,055	1,069	(3,083)	635	338	(925)	184,631
Loss for the period							(27,238)	(27,238)
Exchange differences on translation of foreign operations						(388)		(388)
<b>Total comprehensive income for the period</b>	12,542	174,055	1,069	(3,083)	635	(50)	(28,163)	157,005
Dividends							54	54
Debit to equity for equity-settled share based payments					(587)			(587)
<b>Balance at 26 July 2009 (Unaudited)</b>	12,542	174,055	1,069	(3,083)	48	(50)	(28,109)	156,472

**Condensed consolidated statement of changes in equity**  
For the 26 weeks to 27 July 2008

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Share based payment reserve £'000	Retranslation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 27 January 2008</b>	11,944	171,248	1,069	(3,083)	680	(1,211)	184,408	365,055
Loss for the period							(263)	(263)
Exchange differences on translation of foreign operations						(1,194)		(1,194)
<b>Total comprehensive income for the period</b>	11,944	171,248	1,069	(3,083)	680	(2,405)	184,145	363,598
Dividends							(16,676)	(16,676)
Credit to equity for equity-settled share based payments					150			150
Loss on revaluation of available-for-sale investment taken to equity							(1,120)	(1,120)
<b>Balance at 27 July 2008 (Unaudited)</b>	11,944	171,24	1,069	(3,083)	830	(2,405)	166,349	345,952

**Condensed consolidated statement of changes in equity**  
**For the 52 weeks to 25 January 2009**

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Share based payment reserve £'000	Retranslation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 27 January 2008	11,944	171,248	1,069	(3,083)	680	(1,211)	184,408	365,055
Loss for the period							(167,556)	(167,556)
Exchange differences on translation of foreign operations						1,549		1,549
Total comprehensive income for the period	11,944	171,248	1,069	(3,083)	680	338	16,852	199,048
Issue of share capital	598	2,807						3,405
Dividends repaid to Company							(16,657)	(16,657)
Debit to equity for equity-settled share based payments					(45)			(45)
Loss on revaluation of available-for-sale investment taken to equity							(1,120)	(1,120)
Balance at 25 January 2009 (Audited)	12,542	174,055	1,069	(3,083)	635	338	(925)	184,631

**Condensed consolidated statement of financial position**  
**As at 26 July 2009**

	(Unaudited) As at 26 July 2009	(Unaudited) As at 27 July 2008	(Audited ) As at 25 January 2009
	£'000	£'000	£'000
<b>Non-current assets</b>			
Goodwill	106,406	189,021	106,406
Other intangible assets	23,334	26,624	24,600
Property, plant and equipment	78,505	209,634	162,044
Investment in associated undertaking	-	1,179	750
Loan to associated undertaking	-	4,000	-
	<b>208,245</b>	430,458	293,800
<b>Current assets</b>			
Inventories	47,754	144,610	70,569
Trade and other receivables	47,887	59,553	38,381
Current asset investment	168,117	168,117	171,954
Cash and cash equivalents	22,032	17,322	40,638
	<b>285,790</b>	389,602	321,542
<b>Total assets</b>	<b>494,035</b>	820,060	615,342
<b>Current liabilities</b>			
Trade and other payables	(107,348)	(149,062)	(101,334)
Current tax liabilities	(659)	(32)	(1,494)
Loan notes	(168,117)	(168,117)	(168,117)
Bank loans	-	(15,000)	(75,000)
	<b>Note</b>		
Provisions	<b>13</b>	(16,808)	(14,910)
Derivative financial instruments		(2,032)	-
		<b>(294,964)</b>	(347,121)
<b>Net current (liabilities) assets</b>		<b>(9,174)</b>	42,481
<b>Non-current liabilities</b>			
Bank loans	<b>Note 9</b>	(19,886)	(59,872)
Deferred tax liabilities		(260)	(23,850)
Deferred lease incentives		(14,704)	(40,961)
	<b>Note</b>		
Provisions	<b>13</b>	(7,749)	(2,304)
		<b>(42,599)</b>	(126,987)
<b>Total liabilities</b>		<b>(337,563)</b>	(474,108)
<b>Net assets</b>		<b>156,472</b>	345,952
<b>Capital and reserves</b>			
	<b>Note</b>		
Share capital	<b>10</b>	12,542	11,944
Share premium account		174,055	171,248
Capital redemption reserve		1,069	1,069
Investment in own shares		(3,083)	(3,083)
Share based payment reserve		48	830
Foreign currency translation reserve		(50)	(2,405)
Retained earnings		(28,109)	166,349
<b>Equity attributable to equity holders of the parent</b>		<b>156,472</b>	345,952
			184,631

**Condensed consolidated statement of cash flow**  
**For the 26 weeks to 26 July 2009**

	(Unaudited) 26 weeks to 26 July 2009	(Unaudited) 26 weeks to 27 July 2008	(Audited) 52 weeks to 25 January 2009
	£'000	£'000	£'000
<b>Net cash (outflow) inflow from operating activities (Note 11)</b>	<b>(41,592)</b>	<b>(9,508)</b>	<b>37,859</b>
<b>Cash flows from investing activities</b>			
Interest received	1,882	5,559	10,239
Purchase of subsidiaries	-	(22,460)	(22,211)
Cash and cash equivalents of subsidiary acquired	-	250	-
Proceeds on disposal of investment in associate	625	-	-
Proceeds on disposal of property, plant and equipment	2,909	20,173	23,799
Proceeds from sale of Leisure division	69,654	-	-
Purchase of intangible assets	(500)	(2,221)	(3,338)
Purchase of property, plant and equipment	(376)	(27,702)	(45,532)
Sale of available-for-sale investment	-	28,534	28,534
Release of escrow	3,837	-	-
Sale of assets held for resale	-	-	3,531
<b>Net cash from (used in) investing activities</b>	<b>78,031</b>	<b>2,133</b>	<b>(4,978)</b>
<b>Cash flows from financing activities</b>			
Interest paid	(2,667)	(6,375)	(11,585)
Dividends repaid (paid)	54	-	(16,657)
Proceeds from issues of share capital	-	-	3,405
Net proceeds from bank loans	-	18,500	24,620
Repayment of bank loan	(52,500)	-	(6,120)
<b>Net cash (used in) from financing activities</b>	<b>(55,113)</b>	<b>12,125</b>	<b>(6,337)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(18,674)</b>	<b>4,750</b>	<b>26,544</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>40,638</b>	<b>14,199</b>	<b>14,199</b>
Effect of foreign exchange rate changes	68	(1,627)	(105)
<b>Cash and cash equivalents at end of period</b>	<b>22,032</b>	<b>17,322</b>	<b>40,638</b>

## **Notes to the condensed set of financial statements**

### **For the 26 weeks to 26 July 2009**

#### **1. General information**

The Group's condensed set of financial statements for the 26 weeks to 26 July 2009 were approved by the Board of Directors on 23 September 2009.

The condensed set of financial statements are unaudited and do not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985. However, they have been reviewed by the Auditors and their report to the Directors is set out on page 9.

#### **2. Accounting policies**

The condensed set of financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS), IAS 34 'Interim Financial Reporting' as adopted by the European Union, and in accordance with those policies disclosed in the annual report for the 52 weeks to 25 January 2009, published by the Company on 15 June 2009, other than that noted below. Copies of the interim report and condensed set of financial statements and the last annual report and financial statements are available from the Company Secretary, JJB Sports plc, Challenge Way, Martland Park, Wigan, WN5 0LD and can each be downloaded or viewed via the Company's corporate website, [www.jjbcorporate.co.uk](http://www.jjbcorporate.co.uk).

In the current financial year, the Group has adopted International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007). IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

The financial information in respect of the 52 weeks to 25 January 2009 contained within these condensed set of financial statements has been produced using extracts from the statutory accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985, however an Emphasis of Matter paragraph was included in relation to Going Concern.

#### **Basis of preparation - going concern**

In determining the appropriate basis of preparation of the half yearly report, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, that is, for at least 12 months from the date of signing this report.

In our 2009 Annual Report published on 15 June 2009, we disclosed that the Company has a £25 million revolving facility provided by Bank of Scotland ('BoS') with a maturity date of 30 September 2010. As at 26 July 2009, the Group had net funds of £2.1 million (including the benefit of £2.6 million of non-cash items).

As noted in the Chairman's Statement within this report, on 23 September 2009, BoS executed an amendment to the original agreement to increase this facility to £35 million and to relax the financial covenant tests at the next two test dates (October 2009 and January 2010). The maturity date of the increased facility remains unchanged at 30 September 2010. This demonstrates the continuing support from BoS. The Group will, in the ordinary course, seek to re-negotiate the BoS facility in the early part of 2010 to provide longer term facilities.

As noted above, the BoS facilities include certain financial covenant tests. As at 26 July 2009 the Company has met the covenant tests. The Group's latest forecasts does not show any breaches of financial covenants in the 12 month period from the date of signing this report.

The Directors have prepared trading and cash flow forecasts as part of their going concern assessment which take into consideration the following material uncertainties facing the Group:

- i. future trading may not be in line with the assumptions in the Group's latest forecasts, the achievability of which is dependent on (a) the ability of the Group to implement and execute its stock replenishment policy; (b) the current economic environment; (c) the implementation of cost reduction programmes; (d) continued support from certain of the Group's stock suppliers to maintain existing and provide further lines of credit; and (e) the continued ability of the Group to effectively manage its short term working capital;
- ii. the assignment of the remaining 6 leases in connection with the sale of the fitness clubs business may not proceed in line with the Directors' assumption and, consequently, the remaining deferred consideration of approximately £8.2 million may not be released from escrow to the Company. The Directors have assumed that £2.8 million is received by the end of September 2009, £2.4 million by end of October 2009 and £3 million by the end of March 2010; and
- iii. forecast cash receipts from the sale of non-core assets (including from the disposal of the Group's rights to the Slazenger brand for golf products) by the end of October 2009 may be received later than anticipated or not at all.

Relatively small variations in the assumptions underlying the Group's latest forecasts could lead to funding shortfalls and/or potential breaches of the financial covenants in the Group's working capital facility at any time in the future.

If the Group faces a future funding shortfall and/or a covenant breach, the Group would seek an amendment to the amount of its facility and/or its financial covenants and/or seek further financing but there can be no guarantee that the Group would be successful in doing so. Such funding shortfall and/or covenant breach could require an acceleration of the re-negotiation discussions with the Group's bankers referred to above. Should these discussions be unsuccessful, the Group would seek to implement cost reduction initiatives and would propose to provide the necessary additional funding through a number of initiatives, including; (i) continuing consideration of capital raising from existing and new shareholders; (ii) further business restructuring, including streamlining business processes; (iii) the sale and leaseback of all or part of the Company head office site; and (iv) the sale of one or more of the Group's remaining non-core assets which include the two remaining fitness clubs in Ireland.

The Directors have concluded that these conditions represent a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern and therefore the Group may be unable to continue to realise assets and discharge liabilities in the normal course of business.

Nevertheless, after making enquiries, and considering the matters described above, including the possible management initiatives noted, the Directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing these results. This half yearly report does not include any adjustments that would be required should the going concern basis be inappropriate.

### **3. Business Segments**

The Group adopted IFRS 8 'Operating Segments', early in the consolidated financial statements for the 52 weeks to 27 January 2008.

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 Executive Chairman to allocate resources to the segments and to assess their performance. These segments comprise (a) all

the Group's retail operations including retail stores which are attached to Fitness Clubs; and (b) the Fitness Club operation, which was sold on 25 March 2009.

Segment result represents the (loss) profit earned by each segment without allocation of the share of (loss) profit of associated undertakings, central administration costs including Directors' salaries, exceptional operating items, investment income, finance costs and income tax expense.

### Geographical segments

The Group's reporting format is by business segment. Although the Group operates in two geographical 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.

Information regarding the Group's operating segments is reported below. Amounts reported for the 26 weeks to 27 July 2008 have been re-presented to conform to the requirements of IFRS 8.

	<b>(Unaudited) Segment results for the 26 weeks to 26 July 2009</b>					<b>Consolidated</b>
	<b>Ongoing retail</b>	<b>Other</b>	<b>Retail</b>	<b>Fitness</b>	<b>Discontinued</b>	
	<b>£'000</b>	<b>items* £'000</b>	<b>operations £'000</b>	<b>clubs £'000</b>	<b>operations £'000</b>	<b>£'000</b>
Revenue	167,262	11,300	178,562	11,234	(11,234)	178,562
Gross profit	56,861	3,130	59,991	10,832	(10,832)	59,991
Location net operating expenses						
before exceptional operating items	(89,632)	(8,570)	(98,202)	(9,334)	9,334	(98,202)
Segment result	(32,771)	(5,440)	(38,211)	1,498	(1,498)	(38,211)
Central administration costs						(10,219)
Operating loss before exceptional operating items						(48,430)
Exceptional operating items						3,417
Lifestyle trading losses						2,696
Operating loss						(42,317)
Investment income						1,882
Finance costs						(2,667)
Fair value on derivative instruments						903
Debt issue costs						(321)
Share of results of associated undertaking						(350)
Loss before taxation						(42,870)
Taxation						7,480
Profit for the period from discontinued operations						8,152
Loss after taxation and discontinued operations						(27,238)

\* 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 period.

(Unaudited) Segment results (re-presented) for the 26 weeks to 27 July 2008

	Ongoing retail	Other items*	Retail operations	Fitness clubs	Discontinued operations	Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	212,648	97,727	310,375	34,347	(34,347)	310,375
Gross profit	103,654	41,478	145,132	33,101	(33,101)	145,132
Location net operating expenses before exceptional operating items	(90,768)	(54,178)	(144,946)	(26,884)	26,884	(144,946)
Segment result	12,886	(12,700)	186	6,217	(6,217)	186
Central administration costs						(14,778)
Operating loss before exceptional operating items						(14,592)
Exceptional operating items						(902)
Operating loss						(15,494)
Investment income						5,559
Finance costs						(6,392)
Other gains and losses						1,989
Share of results of associated undertaking						(499)
Loss before taxation						(14,837)
Taxation						4,252
Profit for the period from discontinued operations						10,322
Loss after taxation and discontinued operations						(263)

\* 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 period.

Segment results (re-presented) for the 52 weeks to 25 January 2009  
(audited)

	Ongoing retail	Other items*	Retail operations	Fitness clubs	Discontinued operations	Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	466,630	181,154	647,784	70,497	(70,497)	647,784
Gross profit	220,763	75,635	296,398	68,187	(68,187)	296,398
Location net operating expenses before exceptional operating items	(188,686)	(97,936)	(286,622)	(54,993)	54,993	(286,622)
Segment result	32,077	(22,301)	9,776	13,194	(13,194)	9,776
Central administration costs						(29,935)
Operating loss before exceptional operating items						(20,159)
Exceptional operating items						(139,474)
Operating loss						(159,633)
Investment income						10,239
Finance costs						(22,704)
Other gains and losses						1,989
Share of results of associated undertaking						(103)
Loss before taxation						(170,212)
Taxation						16,429
Loss for the period from discontinued operations						(13,773)
Loss after taxation and discontinued operations						(167,556)

\* 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 period.

#### 4. Seasonality of retail sales

Retail sales are more heavily weighted towards the second half of the financial year, with approximately 55% of annual retail sales occurring from August to January. This is primarily due to replica kit launches and the Christmas period.

#### 5. Taxation

The taxation credit shown in the unaudited condensed consolidated income statement for the 26 weeks to 26 July 2009 has been based on the anticipated effective taxation rate for the 53 weeks to 31 January 2010 of 28 per cent (2008: 28.6 per cent).

	<b>(Unaudited) 26 weeks to 26 July 2009 £'000</b>	(Unaudited) 26 weeks to 27 July 2008 £'000	(Audited) 52 weeks to 25 January 2009 £'000
<b>Current taxation</b>			
UK corporation tax (credit) charge	(1,537)	(228)	1,343
Foreign tax	-	-	(273)
Adjustment in respect of prior periods	-	(86)	(1,566)
	<b>(1,537)</b>	<b>(314)</b>	<b>(496)</b>
<b>Deferred taxation</b>			
Current period	(3,263)	209	(21,190)
Adjustment in respect of prior periods	491	-	-
	<b>(2,772)</b>	<b>209</b>	<b>(21,190)</b>
<b>Total Taxation credit</b>	<b>(4,309)</b>	<b>(105)</b>	<b>(21,686)</b>
Taxation charge (credit) within discontinued operations	(3,171)	(4,147)	5,257
	<b>(7,480)</b>	<b>(4,252)</b>	<b>(16,429)</b>

#### 6. Profit for the period 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 £40 million of initial consideration, subject to completion adjustments, paid to the Company on 25 March 2009, approximately £33.9 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 this 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 are included within the 'Other items' column on the face of the income statement.

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

The accounts for the 26 weeks to 27 July 2008 and the 52 weeks to 25 January 2009 have been re-presented to take account of the discontinued operations, being the Fitness Club element of the transaction.

The deferred consideration of approximately £33.9 million (less certain expenses) is being 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 26 July 2009, 7 leases were still awaiting assignment. As the leases have been assigned, deferred lease incentives of £25.5 million have been released to the income statement, of which £7.2 million (net of taxation) relate to Fitness Clubs. A further £2.8 million in total will be released as and when the remaining leases have been assigned.

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

	<b>(Unaudited) 8 week to 25 March 2009 £'000</b>	(Unaudited) 26 weeks to 27 July 2008 £'000	(Audited) 52 weeks to 25 January 2009 £'000
Revenue	11,234	34,347	70,497
Expenses	(9,503)	(28,131)	(57,303)
Profit before tax	1,731	6,216	13,194
Attributable tax expense	(485)	(1,782)	(3,738)
	<b>1,246</b>	4,434	9,456
(Loss) gain on disposal of property plant and equipment	(358)	8,252	8,252
Attributable tax expense	100	(2,364)	(2,338)
	<b>988</b>	10,322	15,370
Release of deferred lease incentives	<b>9,950</b>	-	-
		-	
Attributable tax expense	<b>(2,786)</b>		-
Impairment of fitness club fixed assets	-		(40,476)
Attributable tax expense	-		11,333
	<b>8,152</b>	10,322	(13,773)

During the period and up until disposal, the Fitness Clubs contributed £2.8 million (2008:£9.4 million) to the Group's net operating cash flows, and received £57.3 million (2008: £3.4 million) in respect of investing activities.

The net assets of the Fitness Club business at the date of disposal were as follows:

	<b>(Unaudited) 25 March 2009 £'000</b>
Plant, property and equipment	123,609
Inventories	9,602
Trade receivables	935
Bank balances and cash	55
Trade payables	(2,994)
	<b>131,207</b>
Impairment made at 25 January 2009	(49,260)
Loss on disposal	(2,680)
Total consideration	<b>83,437</b>
Less working capital deduction	<b>(4,170)</b>
Satisfied by:	
Cash	<b>38,250</b>
Deferred consideration	<b>41,017</b>
	<b>79,267</b>
Net cash inflow arising on disposal:	
Cash consideration	<b>38,250</b>
Cash disposed of	<b>(55)</b>
	<b>38,195</b>

Of the deferred consideration, £31,403,000 had been received by 26 July 2009, and the remainder will be settled in cash by the purchaser on or before 31 March 2010.

## 7. Dividends

	<b>(Unaudited) 26 weeks to 26 July 2009 £'000</b>	(Unaudited) 26 weeks to 27 July 2008 £'000	(Audited) 52 weeks to 25 January 2009 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the 52 weeks to 25 January 2009 of Nil pence net per ordinary share (2008: 7.0 pence)	-	16,676	16,657
Final dividends repaid for the 52 weeks to 27 January 2008	(54)	-	-
	<b>(54)</b>	16,676	16,657

The board does not propose an interim dividend for the 53 weeks to 31 January 2010.

## 8. (Loss) earnings per share

The calculation of the basic and diluted (loss) per ordinary share are based on the following data:

	<b>(Unaudited) 26 weeks to 26 July 2009 Loss per share £'000 (pence)</b>	(Unaudited) 26 weeks to 27 July 2008 Loss per share £'000 (pence)	(Audited) 52 weeks to 25 January 2009 Loss per share £'000 (pence)
<b>From continuing operations</b>			
Loss for the period from continuing operations	(35,390) (14.11)p	(10,585) (4.48)p	(153,783) (63.50)p
Exceptional operating items	(3,167) (1.26)p	902 0.38p	150,448 62.13p
Taxation on exceptional operating items	5,938 2.37p	(253) (0.11)p	(14,642) (6.05)p
	<b>(32,619) (13.00)p</b>	<b>(9,936) (4.21)p</b>	<b>(17,977) (7.42)p</b>

Continuing operations include retail cessations inline with IFRS 5 'Assets Held For Resale and Discontinued Items'.

### 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	(27,238) (10.86)p	(263) (0.11)p	(167,556) (69.19)p
Exceptional operating items	(12,992) (5.18)p	(7,350) (3.11)p	182,672 75.43p
Taxation on exceptional operating items	8,689 3.46p	2,058 0.87p	(23,664) (9.77)p
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	<b>(31,541) (12.58)p</b>	<b>(5,555) (2.35)p</b>	<b>(8,548) (3.53)p</b>

<b>Number of shares</b>		<b>(Unaudited) As at 26 July 2009</b>	(Unaudited) As at 27 July 2008	(Audited) As at 25 January 2009
Weighted average number of ordinary shares for the purposes of basic loss per ordinary share and adjusted basic loss per ordinary share		<b>250,832</b>	236,141	242,169
Effect of dilutive potential ordinary shares:				
Share options		-	-	-
Weighted average number of ordinary shares for the purposes of diluted loss per ordinary share		<b>250,832</b>	236,141	242,169
<b>Continuing operations</b>				
<b>Basic loss per ordinary share</b>	<b>Pence</b>	<b>(14.11)p</b>	(4.48)p	(63.50)p
<b>Diluted loss per ordinary share</b>	<b>Pence</b>	<b>(14.11)p</b>	(4.48)p	(63.50)p
<b>Adjusted basic loss per ordinary share</b>	<b>Pence</b>	<b>(13.00)p</b>	(4.21)p	(7.42)p
<b>Continuing and discontinued operations</b>				
<b>Basic loss per ordinary share</b>	<b>Pence</b>	<b>(10.86)p</b>	(0.11)p	(69.19)p
<b>Diluted loss per ordinary share</b>	<b>Pence</b>	<b>(10.86)p</b>	(0.11)p	(69.19)p
<b>Adjusted basic loss per ordinary share</b>	<b>Pence</b>	<b>(12.58)p</b>	(2.35)p	(3.53)p

## 9. Bank loans

As at 26 July 2009, the Group's working capital was funded through a £25 million medium term revolving bank credit facility, which was drawn down for the first time on 3 June 2009 and had a maturity date of 30 September 2010. A further facility of £10 million was granted on 23 September 2009. The revolving bank credit facility carries an interest rate at 450 basis points above LIBOR on the first £25m, 500bps above LIBOR on the next £5 million and 550 bps above LIBOR on the final £5 million. The facility exposes the Group to interest rate risk. The Group had drawn down £22.5 million of the facility as at 26 July 2009, before adjustments for un-amortised debt issue costs of £2.6 million giving a net loan figure of £19.9 million.

Following the implementation of the CVA on 29 May 2009, the Company repaid its historic working capital facility with Barclays on 19 July 2009, and its historic term facility with BoS and its short term loan from Kaupthing on 3 June 2009.

In accordance with the terms of the facility from Bank of Scotland, the Company issued warrants to subscribe for 11,287,434 new ordinary shares of 5 pence each on 3 June 2009. The issue of warrants was approved by shareholders at a General Meeting held on 29 April 2009. For a more detailed explanation please refer to note 45 of the Annual Report and Accounts for the 52 weeks to 25 January 2009.

## 10. Share capital

	(Unaudited) At 26 July 2009 £'000	(Unaudited) At 27 July 2008 £'000	(Audited) At January 2009 £'000
<b>Authorised:</b>			
431,400,000 (2008 - 331,600,000) ordinary shares of 5p each	<b>21,570</b>	16,580	16,580
	<b>£'000</b>	<b>Thousands</b>	
<b>Allotted, called up and fully paid:</b>			
<b>At 26 July 2009</b>	<b>12,542</b>	<b>250,832</b>	
At 27 July 2008	11,944	238,888	
At 25 January 2009	12,542	250,832	

The Company has one class of ordinary share which carries no right to fixed income. By resolution of the Company dated 24 July 2009, the authorised share capital of the Company was increased to £21,570,000.

## 11. Reconciliation of operating loss to net cash (outflow) inflow from operating activities

	(Unaudited) 26 weeks to 26 July 2009 £'000	(Unaudited) 26 weeks to 27 July 2008 £'000	(Audited) 52 weeks to 25 January 2009 £'000
Operating loss	<b>(42,317)</b>	(15,494)	(159,633)
Adjustments for:			
Depreciation of property, plant and equipment	<b>6,664</b>	10,225	20,782
Amortisation of other intangible assets	<b>1,737</b>	1,014	2,002
Impairment of goodwill	-	-	82,275
Impairment of intangible assets	-	-	2,163
Net (gain) loss on disposal of property, plant and equipment	<b>(614)</b>	902	(493)
Net loss (gain) on disposal of property, plant and equipment within leisure division	<b>358</b>	(8,252)	(8,252)
Net loss on disposal of intangible assets	<b>29</b>	-	339
Net loss on disposal of assets held for resale	-	-	114
(Decrease) increase in provisions	<b>(13,633)</b>	(7,746)	13,230
Share based payment reserve	<b>(587)</b>	150	(45)
Impairment of loan and investment in associated undertaking	<b>(225)</b>	-	4,923
Impairment of property, plant and equipment	-	-	53,866
Profit (loss) from discontinued operations	<b>8,152</b>	10,322	(13,773)
Tax attributed to discontinued operations	<b>3,171</b>	4,147	(5,257)
Losses on de-recognition	<b>2,045</b>	-	-
<b>Operating cash flow before movements in working capital</b>	<b>(35,220)</b>	(4,732)	(7,759)
Decrease (increase) in inventories	<b>15,711</b>	(15,489)	58,552
Decrease (increase) in trade and other receivables	<b>1,853</b>	(8,563)	4,357
(Decrease) increase in payables	<b>(23,174)</b>	17,555	(20,887)
<b>Cash (used in) generated by operations</b>	<b>(40,830)</b>	(11,229)	34,263
Taxation (paid) received	<b>(762)</b>	1,721	3,596
<b>Net cash (outflow) inflow from operating activities</b>	<b>(41,592)</b>	(9,508)	37,859

## 12. Analysis of net (debt) funds as at 26 July 2009

	(Audited) At 25 January 2009 £'000	Cash flow £'000	Other non- cash items £'000	(Unaudited) At 26 July 2009 £'000
<b>Current asset investment</b>	168,117	-	-	<b>168,117</b>
<b>Cash and cash equivalents</b>	40,638	(18,674)	68	<b>22,032</b>
	208,755	(18,674)	68	<b>190,149</b>
<b>Current liability:</b>				
Loan notes	(168,117)	-	-	<b>(168,117)</b>
Short term bank loan	(75,000)	75,000	-	-
<b>Non-current liability:</b>				
Bank loans	-	(22,500)	2,614	<b>(19,886)</b>
	(34,362)	33,826	2,682	<b>2,146</b>

Other non-cash items relate to the effects of foreign exchange rate changes, derivative financial instruments and debt issue costs.

## 13. Provisions

During the period, and following the implementation of the CVA proposal as outlined in note 17, there have been significant provision movements. The principal movements have arisen in the following provision categories:

- the retail store restructuring provision which relates to the direct expenditure expected to be incurred in closing the stores which the Group, before the 52 weeks ended 27 January 2008, was committed to cease trading from before the end of April 2008;
- the vacant stores provision which represents the estimated costs expected to be incurred in exiting the relevant lease agreements;
- the dilapidations provision, which represents the best estimate of the present value of expenditure expected to be incurred by the Group in order to restore the leasehold premises to the condition required under the individual lease agreements at the end of their term; and
- the CVA provision represents a fund as a compromise against future outstanding rents on retail stores listed in the CVA proposal (see note 17).

Where the movement in the provision has met the recognition criteria of an exceptional item, these have been disclosed on the face of the income statement.

## 14. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

During the 26 weeks to 26 July 2009, the Company entered into the following transactions with related parties who are not members of the Group:

	Income from related parties			Expenditure with related parties		
	26 weeks to 26 July 2009	26 weeks to 27 July 2008	52 weeks to 25 January 2009	26 weeks to 26 July 2009	26 weeks to 27 July 2008	52 weeks to 25 January 2009
	£'000	£'000	£'000	£'000	£'000	£'000
KooGa Rugby Limited (to 3 July 2009)	-	123	230	5	414	500
Source Lab Limited (to 25 March 2009)	-	-	-	178	936	2,162
Cotton Traders Ltd	-	-	-	414	-	858
Retail Gateway Ltd	-	-	-	-	-	106
CWM 2001 Ltd	-	-	-	230	-	107
Lanebridge Investment Management Limited (to 24 July 2009)	-	-	-	-	42	-
	Amounts owed by related parties			Amounts owed to related parties		
	As at 26 July 2009	As at 27 July 2008	As at 25 January 2009	As at 26 July 2009	As at 27 July 2008	As at 25 January 2009
	£'000	£'000	£'000	£'000	£'000	£'000
KooGa Rugby Limited	-	-	-	-	-	-
- Loan	-	4,000	750	-	-	-
- Trade receivables / payables	-	1,279	-	9	1,509	3
Source Lab Limited	-	-	-	1	11	75
Cotton Traders Limited	-	-	-	20	-	258

Kooga Rugby Ltd was a 48% associated undertaking of JJB, but ceased to be as such on 3 July 2009. Purchases were made by the Company from Kooga at arms length prices.

Source Lab Ltd is a company of which a Director is the brother of Christopher Ronnie, a former Chief Executive of the Company, who was dismissed on 25 March 2009.

Cotton Traders Ltd is a company of which Sir David Jones, Chairman of JJB is a Director and Chairman.

Retail Gateway Ltd is a company owned by the son of Sir David Jones.

CWM 2001 Ltd is a company owned by Sir David Jones.

Lanebridge Investment Management Limited is a company of which Roger Lane-Smith, a former non-executive Director of JJB, is a Director.

## 15. Administration of Lifestyle division

On 19 February 2009 both Original Shoe Company Limited ("OSC") and Qubefootwear Limited ("Qube") comprising the Lifestyle division, were put into administration. The Board of Directors of OSC and Qube respectively appointed Messrs. Fleming, Costley-Wood and Nimmo of KPMG LLP as joint administrators.

The closing Balance Sheets of OSC and Qube have been written off in these Group accounts, and only income and expenses to the close of trade have been included in the Income Statement, as the Group no longer has control.

During the period, the Lifestyle division contributed £2.1 million towards revenue (2008 - £18.8m) and a loss of £3.3 million (2008 - £6.5m).

## **16. Director update**

There have been a number of changes to the Board during the period ended 26 July 2009:

On 25 March 2009 Christopher Ronnie's employment and Directorship were terminated.

On 25 March 2009 Richard Manning was appointed to the Board as Legal Director and Company Secretary. He now holds the post of Legal and Operations Director and continues to act as Company Secretary.

On 3 April 2009 David Madeley resigned as Finance Director.

On 18 May 2009 Lawrence Coppock was appointed as Finance Director and Colin Tranter was appointed as Director of Retail and Product.

On 31 May 2009 Peter Williams resigned as a Director.

On 24 July 2009 Roger Lane-Smith and David Beever resigned as Non-executive Directors.

## **17. Company Voluntary Arrangement (CVA)**

On 27 April 2009 the CVA proposal made by the Directors of the Company and Blane Leisure Limited received the approval of the requisite majority of the creditors of each company and on 29 April 2009 was approved by the majority of the members of each company. Following the expiry of a 28 day challenge period, the CVA proposal was successfully implemented on 29 May 2009.

Landlords of the closed retail stores listed in the CVA proposal have claimed against a total aggregate fund of £10 million as a compromise against future outstanding rents on those stores. The payments from the fund will be made in two instalments, £5,000,001 on 30 September 2009 and the balance of £4,999,999 on 31 December 2009.

Rates will continue to be paid by the Company until the relevant store is surrendered/forfeited or assigned.

In addition, the CVA proposal temporarily varied the terms of the lease on approximately 250 open retail stores, such that rent will be paid on a monthly rather than quarterly basis, for a period of twelve months from the quarter date following implementation of the CVA.

## **18. Events after the date of the Statement of Financial Position**

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 suspected 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.

On 27 July 2009 and hence subsequent to the period-end, John Clare was appointed as a Non-executive Director. He is the Company's Senior Independent Non-executive Director and has joined the Audit, Nominations and Remunerations Committees, the later as Chairman.

On 23 September 2009, the existing facility with the Bank of Scotland was increased by a further £10 million and the next two covenant tests were relaxed to cover seasonal working capital adjustments.

## **19. Contingent Liabilities**

Further to the disclosure in Note 18 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 cooperation with the OFT, a requirement to refrain from further participation in the suspected cartel and a duty not to act in bad faith. The OFT has confirmed that it is satisfied that the Company is complying with these conditions. 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 of up to a maximum amount of 10% 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 cooperation 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 the 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.

## **Responsibility statement**

We confirm that to the best of our knowledge:

- the interim report and condensed set of financial statements have been prepared in accordance with IAS 34;
- the interim report and condensed set of financial statements include a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the period); and
- the interim report and condensed set of financial statements include a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Sir David Jones CBE  
Chairman

Mr Lawrence Coppock  
Finance Director

Date: 23 September 2009

## **Directors and advisers**

### **Directors**

Sir David Jones CBE	(Executive Chairman)
Alan Benzie	(Non-executive Director)
John Clare CBE	(Senior Independent Non-executive Director)
Lawrence Coppock	(Finance Director)
Richard Manning	(Legal & Operations Director)
Colin Tranter	(Director of Retail and Product)

### **Company secretary**

Richard Manning

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