

JJB Sports plc

**Transition to International Financial
Reporting Standards**

JJB SPORTS plc

First-time adoption of International Financial Reporting Standards

In accordance with *IFRS 1, First-time adoption of International Financial Reporting Standards*, JJB Sports plc, (“JJB”), today releases restated unaudited financial information under International Financial Reporting Standards (“IFRS”) for the 26 weeks to 25 July 2004, and for the 53 weeks to 30 January 2005 together with a restatement of the opening balance sheet as at 25 January 2004.

The principal impact of adoption of reporting financial information under IFRS has affected the following areas:

- The recognition of certain operating lease incentives received over the entire term of a lease rather than up to the period of the first rent review
- Previously amortised goodwill, following an impairment review, has been credited back to the income statement
- Recognition of deferred taxation in respect of certain temporary timing differences
- The timing of the recognition of dividends payable to shareholders.

Summary of impact

		26 weeks to 25 July 2004		53 weeks to 30 January 2005	
		UK GAAP	IFRS	UK GAAP	IFRS
Profit before taxation	£'000	21,491	27,602	50,374	62,450
Profit after taxation	£'000	13,128	19,067	33,199	45,163
Earnings per share	p	5.67	8.24	14.36	19.54
Net assets at end of period	£'000	338,959	338,676	342,415	357,388

Explanations of the significant adjustments which have arisen on the transition to IFRS are referred to in section 3.

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1 Introduction

Up until 30 January 2005, JJB Sports plc (“JJB”) has prepared its consolidated financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). For accounting periods commencing after 1 January 2005 it is mandatory for all UK Listed companies to prepare consolidated financial statements under International Accounting Standards and International Financial Reporting Standards (collectively IFRS) as endorsed by the International Accounting Standards Board (IASB) and adopted within the European Union (EU).

Accordingly, JJB’s first full financial reporting period under IFRS will be for the 52 weeks to 29 January 2006, and its first interim reporting period under IFRS is for the 26 weeks to 31 July 2005.

This document explains JJB’s principal changes in accounting policies arising from the adoption of IFRS, and presents restated financial information including the balance sheet at 25 January 2004, the income statement and statement of recognised income and expense for the 26 weeks to 25 July 2004, those for the 53 weeks to 30 January 2005, together with the balance sheets at 25 July 2004 and 30 January 2005.

Included within the Appendices are reconciliations which set out the differences arising from the transition to IFRS. The adoption of IFRS represents an accounting change only and does not affect the operations or cash flows of JJB.

The financial information within this document is unaudited.

2 Basis of preparation

The financial information in this document has been prepared in accordance with IFRS and the accounting policies set out in Section 4 below.

The accounting policies are based on current IFRS, International Financial Reporting Interpretation Committee (IFRIC) interpretations, and current IASB exposure drafts that are expected to be issued as final standards and adopted by the EU such that they are effective for the accounting period of 52 weeks to 29 January 2006. It should be noted that these standards are subject to ongoing review and endorsement by the EU and further IFRIC interpretations, and may therefore be subject to change.

In accordance with *IFRS 1, First Time Adoption of International Financial Reporting Standards*, JJB has elected not to restate comparative information for the impact of *IAS 32, Financial Instruments: Disclosure and Presentation* and *IAS 39, Financial Instruments: Recognition and Measurement*; these standards have been adopted with effect from 31 January 2005.

The UK GAAP financial information contained in this document does not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. Full accounts for the 53 weeks ended 30 January 2005 and the 52 weeks ended 25 January 2004, incorporating an unqualified audit report, have been delivered to the Registrar of Companies.

3 Explanation of adjustments arising from the adoption of IFRS

3.1 *IFRS 1 First-time Adoption of International Financial Reporting Standards*

In implementing the transition to IFRS, JJB has followed the requirements of IFRS 1, which in general requires IFRS accounting policies to be applied fully retrospectively in deriving the opening balance sheet at the date of transition. Significant accounting policy changes, together with the relevant transitional provisions, and their effect on the financial statements of the Group are explained within this section.

However, IFRS 1 contains certain mandatory exceptions and some optional exemptions to this principle of retrospective application. The relevant transitional provisions are set out where applicable below.

3.2 *IFRS 3 Goodwill and Business Combinations*

JJB has elected to take the exemption available under IFRS 1 to not apply IFRS 3 retrospectively to goodwill and business combinations arising before the date of transition to IFRS. Goodwill arising on such acquisitions has therefore been retained at its UK GAAP carrying value at 25 January 2004.

Under UK GAAP, goodwill arising as a result of the acquisition of a subsidiary undertaking was amortised over 20 years. However, under IFRS, no amortisation charge is to be made. Instead, any goodwill recognised in the balance sheet, is subject to an annual impairment review, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired. JJB has carried out an impairment review of the carrying value of its goodwill at 25 January 2004 and found that no charge for impairment need be made from this date. The effect of this review has been to reverse the charges originally made against the profit and loss account, and thereby to increase the profit by the amounts of £6.38 million in respect of the 26 weeks ended 25 July 2004, and by £12.99m for the 53 weeks ended 30 January 2005.

3.3 *IAS 10 Events after the Balance Sheet date*

IAS 10, requires that dividends should now be recognised only when they are declared and approved, rather than being accrued for in the period to which they relate, as the liability does not represent a present obligation as defined by *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*. Compared to the UK GAAP treatment this has the effect of deferring the recognition of dividends to the following accounting period. In addition, dividends are to be shown as a movement directly in equity instead of through the income statement.

The final dividend declared in April 2004 for the 52 weeks to 25 January 2004 of £16.15 million has been taken out of the balance sheet at that date and charged to equity in the accounting period for the 26 weeks ended 25 July 2004. Similarly, the interim dividend provided for in the accounting period of 26 weeks to 25 July 2004 of £6.92 million, has been charged to equity in the accounting period of 53 weeks to 30 January 2005 and the final dividend for the 53 weeks to 30 January 2005 of £16.15 million, has been taken out of the balance sheet at that date and has been charged to equity in the accounting period of 26 weeks to 31 July 2005.

3.4 IAS 12 Income Taxes

IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their tax base. This contrasts with UK GAAP (FRS 19), which considers timing differences.

Previously under UK GAAP, there was no requirement to provide deferred tax in respect of those assets against which capital gains rollover relief had been claimed. Under IAS 12, deferred tax must be provided against the difference between the qualifying net book value of those assets and their reduced tax base cost. Accordingly, the deferred tax provision was increased by £2.59 million at 25 January 2004, and increased by a further £251,000 during the accounting period of 26 weeks to 25 July 2004 and by £386,000 during the accounting period of 53 weeks to 30 January 2005.

Additionally, further corporation tax adjustments were made in the financial statements following the restatement under IAS 17 for deferred lease incentives referred to in the next paragraph, of £4.52 million at 25 January 2004, with a further £79,000 on 25 July 2004 and £274,000 at 30 January 2005.

3.5 IAS 17 Leases

Under UK GAAP, operating lease incentives in respect of rent free periods, were recognised in the profit and loss account over the period to the date of the first rent review. In accordance with IAS 17, all lease incentives must now be recognised in the income statement over the full term of the lease. The effect of this standard has resulted in an adjustment carrying forward an increased amount in the value of rent free periods in deferred lease incentives within current liabilities and in deferred lease incentives within non current liabilities totalling £15.08 million at 25 January 2004. In respect of the 26 weeks to 25 July 2004, and the 53 weeks to 30 January 2005, adjustments have been made to increase deferred lease incentives creditors by £264,000 and £913,000 respectively.

3.6 IAS 33 Earnings per Share

The method of calculating earnings per share has not changed on the transition to IFRS, however the actual calculations have changed as a result of those restatements on the transition from UK GAAP to IFRS which affect profit.

3.7 Other Adjustments

Certain adjustments are included within the “Other” column in Appendices I to V; the major items are referenced to the notes below.

(a) Presentation of Financial Statements

Management have taken the opportunity on the IFRS transition to review all their accounting policies. As a result of this review reclassifications were made from trade and other payables to trade and other receivables at 25 January 2004, 25 July 2004 and 30 January 2005, of £24.32 million, £40.29 million and £23.61

million respectively. These adjustments related to prepayments which had previously been set off against purchase ledger balances. Management believe that this gives a more accurate balance sheet position.

(b) *IAS 21 The Effect of Changes in Foreign Exchange Rates*

Under IFRS, exchange differences arising on consolidation on the translation of overseas subsidiaries are required to be recognised as a separate equity reserve.

JJB has utilised the exemption available in IFRS 1 whereby cumulative translation differences are deemed to be zero at the date of transition to IFRS; the profit or loss on all subsequent disposals will therefore exclude any translation differences arising prior to 25 January 2004.

4 Summary of accounting policies

Basis of accounting

The Annual financial statements of JJB Sports PLC (JJB) for the 52 weeks to 29 January 2006 will be the first to be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). IFRS are subject to amendment and interpretation by the International Accounting Standards Board. The financial information contained in the Interim statement for the 26 weeks to 30 July 2005 has been prepared on the basis of IFRS that the Directors expect to be applicable as at 29 January 2006.

JJB's consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP) until 30 January 2005. UK GAAP differs in some areas from IFRS. In preparing the interim statement for the 26 weeks to 31 July 2005, JJB has amended certain accounting and valuation methods previously applied in the UK GAAP financial statements in order to comply with the recognition and measurement criteria of IFRS. The comparative information previously shown in the interim statement for the 26 weeks to 25 July 2004 and in the annual statement for the 53 weeks ended 30 January 2005 have been restated to reflect these adjustments, details of which are contained within this document.

JJB has made use of the exemption available under *IFRS 1, First time adoption of IFRS* to only apply *IAS 32, Financial Instruments: Disclosure and Presentation* and *IAS 39 Financial Instruments: Recognition and Measurement* from 31 January 2005.

The consolidated financial statements contained in the interim statement for the 26 weeks to 31 July 2005, and the re-stated comparative information contained in this document have been prepared on the historical cost basis and the principal accounting policies adopted are set out below

Basis of consolidation

The annual consolidated financial statements are made up to the Sunday nearest to 31 January each year and incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), together making up the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to be able to obtain benefits from its activities.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Goodwill

Goodwill arises on the acquisition of subsidiary undertakings and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

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

Goodwill arising on acquisitions before 31 January 2005, (the starting date of the first accounting period commencing after 1 January 2005), has been retained at the previous UK GAAP carrying amounts, subject to being tested for impairment at the end of every accounting period including the date of transition.

Property, plant and equipment

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

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

Freehold property	40 years
Leasehold property	over the period of the lease
Plant and equipment	5 to 20 years

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

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

Impairment of tangible and intangible assets excluding goodwill

At every balance sheet date, a review of the carrying amounts of the tangible and intangible assets is performed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does

not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is immediately recognised as an expense in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised in the consolidated income statement.

Leasing commitments

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

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, and are determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO (first in first out) method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or damaged items where appropriate.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the consolidated income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payments

JJB has applied the requirements of *IFRS 2 Share-based Payments*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 30 January 2005.

JJB issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of the grant of the equity-settled share-based payments is expensed to the consolidated income statement on a straight-line basis over the vesting period, based on JJB's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Revenue Recognition

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

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

Revenue also includes income generated from the provision of sports and leisure facilities at the Company's health clubs; this revenue is recognised in the accounting period during which the facility is made available to members of the health clubs; revenue from joining fees are contributions to cover costs of the administration of new members and are wholly recognised in the income statement in the accounting period of the receipt of that revenue.

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to State-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

The taxation expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are recognised in the income statement for the period in which the gain or loss arises except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the accounting period. Exchange differences arising are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of. Differences arising from prior periods have been frozen.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities.

Restated unaudited consolidated income statements	26 weeks to 25 July 2004 Restated £'000	53 weeks to 30 January 2005 Restated £'000
Continuing operations		
Revenue	362,979	773,339
Cost of sales	(188,474)	(402,082)
Gross profit	<u>174,505</u>	<u>371,257</u>
Other operating income	1,454	3,079
Distribution expenses	(9,280)	(19,272)
Administration expenses	(14,822)	(31,637)
Selling expenses	(124,415)	(261,321)
Operating profit	<u>27,442</u>	<u>62,106</u>
Finance income	4,178	9,036
Finance costs	(4,018)	(8,692)
Profit before taxation	<u>27,602</u>	<u>62,450</u>
Taxation	(8,535)	(17,287)
Profit for the period attributable to equity holders of the parent	<u>19,067</u>	<u>45,163</u>
Earnings per share - Pence	8.24	19.54
Diluted earnings per share - Pence	8.22	19.51

Restated unaudited consolidated statements of recognised income and expense

	26 weeks to 25 July 2004 Restated £'000	53 weeks to 30 January 2005 Restated £'000
Exchange differences on translation of foreign operations	(39)	(21)
Net expense recognised directly in equity	<u>(39)</u>	<u>(21)</u>
Profit for the period	<u>19,067</u>	<u>45,163</u>
Recognised income and expense for the period	<u>19,028</u>	<u>45,142</u>

Restated unaudited consolidated balance sheets

	As at 25 January 2004 £'000	As at 25 July 2004 £'000	As at 30 January 2005 £'000
Non-current assets			
Goodwill	186,347	186,114	186,114
Property, plant and equipment	155,791	157,131	165,175
	<u>342,138</u>	<u>343,245</u>	<u>351,289</u>
Current assets			
Inventories	128,084	147,438	112,719
Trade and other receivables	35,797	47,187	35,792
Current asset investments	210,478	168,117	168,117
Cash and cash equivalents	41,258	27,802	29,323
	<u>415,617</u>	<u>390,544</u>	<u>345,951</u>
Total assets	<u>757,755</u>	<u>733,789</u>	<u>697,240</u>
Current liabilities			
Trade and other payables	(82,026)	(126,489)	(86,307)
Tax liabilities	(22,690)	(11,573)	(14,698)
Bank loan and loan notes	(170,478)	(168,117)	(193,067)
Short-term provisions	-	(2,000)	(2,000)
	<u>(275,194)</u>	<u>(308,179)</u>	<u>(296,072)</u>
Net current assets	<u>140,423</u>	<u>82,365</u>	<u>49,879</u>
Non-current liabilities			
Bank loan	(84,821)	(44,884)	-
Deferred tax liabilities	(19,182)	(19,598)	(19,289)
Deferred lease incentives	(22,550)	(22,452)	(24,491)
	<u>(126,553)</u>	<u>(86,934)</u>	<u>(43,780)</u>
Total liabilities	<u>(401,747)</u>	<u>(395,113)</u>	<u>(339,852)</u>
Net assets	<u>356,008</u>	<u>338,676</u>	<u>357,388</u>
Equity			
Share capital	11,899	11,538	11,538
Share premium account	157,129	157,219	157,219
Capital redemption reserve	706	1,069	1,069
Foreign currency translation reserve	-	(39)	(21)
Retained earnings	186,274	168,889	187,583
Equity attributable to equity holders of the parent	<u>356,008</u>	<u>338,676</u>	<u>357,388</u>

APPENDIX I

Reconciliation of net assets at 25 January 2004

	UKGAAP	IAS 10 Dividends	IAS 12 Income Taxes	IAS 17 Leases	Other *	Effect of transition to IFRS	Restated under IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Goodwill	186,347	-	-	-	-	-	186,347
Property, plant and equipment	155,791	-	-	-	-	-	155,791
	<u>342,138</u>						<u>342,138</u>
Current assets							
Inventories	128,084	-	-	-	-	-	128,084
Trade and other receivables	11,481	-	-	-	24,316 (a)	24,316	35,797
Current asset investments	210,478	-	-	-	-	-	210,478
Cash and cash equivalents	41,258	-	-	-	-	-	41,258
	<u>391,301</u>						<u>415,617</u>
Total assets	<u>733,439</u>						<u>757,755</u>
Current liabilities							
Trade and other payables	(73,774)	16,150	-	(86)	(24,316) (a)	(8,252)	(82,026)
Tax liabilities	(27,213)	-	-	4,523	-	4,523	(22,690)
Loan notes	(170,478)	-	-	-	-	-	(170,478)
	<u>(271,465)</u>						<u>(275,194)</u>
Net current assets	<u>119,836</u>						<u>140,423</u>
Non-current liabilities							
Bank loan	(84,821)	-	-	-	-	-	(84,821)
Deferred tax liabilities	(16,591)	-	(2,591)	-	-	(2,591)	(19,182)
Deferred lease incentives	(7,559)	-	-	(14,991)	-	(14,991)	(22,550)
	<u>(108,971)</u>						<u>(126,553)</u>
Total liabilities	<u>(380,436)</u>						<u>(401,747)</u>
Net assets	<u>353,003</u>	<u>16,150</u>	<u>(2,591)</u>	<u>(10,554)</u>	<u>-</u>	<u>3,005</u>	<u>356,008</u>
Equity							
Share capital	11,899	-	-	-	-	-	11,899
Share premium account	157,129	-	-	-	-	-	157,129
Capital redemption reserve	706	-	-	-	-	-	706
Retained earnings	183,269	16,150	(2,591)	(10,554)	-	3,005	186,274
Total equity	<u>353,003</u>	<u>16,150</u>	<u>(2,591)</u>	<u>(10,554)</u>	<u>-</u>	<u>3,005</u>	<u>356,008</u>

* Notes relate to the references in section 3.7

APPENDIX II

Reconciliation of profit for the 26 weeks to 25 July 2004

	UK GAAP	IFRS 3 Goodwill	IAS 12 Income Taxes	IAS 17 Leases	IAS 1 Presentation	Effect of transition to IFRS	Restated under IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	362,979	-	-	-	-	-	362,979
Operating profit	21,640	6,375	-	(264)	(309)	5,802	27,442
Operating profit is stated after (charging)/crediting							
Goodwill amortisation	(6,375)	6,375	-	-	-	6,375	-
Creation of legal provision	(2,000)	-	-	-	-	-	(2,000)
Release of legal cost accrual	2,000	-	-	-	-	-	2,000
Finance income	4,178	-	-	-	-	-	4,178
Finance costs	(4,018)	-	-	-	-	-	(4,018)
Loss on disposal of subsidiary undertaking	(309)	-	-	-	309	309	-
Profit before taxation	21,491						27,602
Taxation	(8,363)	-	(251)	79	-	(172)	(8,535)
Profit for the period	13,128	6,375	(251)	(185)	-	5,939	19,067
Earnings per ordinary share	5.67p						8.24p
Diluted earnings per ordinary share	5.66p						8.22p

APPENDIX III

Reconciliation of net assets at 25 July 2004

	UKGAAP	Opening balance sheet adjustment	IFRS 3 Goodwill	IAS 10 Dividends	IAS 12 Income Taxes	IAS 17 Leases	Other *	Effect of transition to IFRS	Restated under IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets									
Goodwill	179,739	-	6,375	-	-	-	-	6,375	186,114
Property, plant and equipment	157,131	-	-	-	-	-	-	-	157,131
	<u>336,870</u>								<u>343,245</u>
Current assets									
Inventories	147,438	-	-	-	-	-	-	-	147,438
Trade and other receivables	6,896	24,316	-	-	-	-	15,975 (a)	40,291	47,187
Current asset investment	168,117	-	-	-	-	-	-	-	168,117
Cash and cash equivalents	27,802	-	-	-	-	-	-	-	27,802
	<u>350,253</u>								<u>390,544</u>
Total assets	<u>687,123</u>								<u>733,789</u>
Current liabilities									
Trade and other payables	(93,127)	(8,252)	-	(9,227)	-	92	(15,975) (a)	(33,362)	(126,489)
Tax liabilities	(16,175)	4,523	-	-	-	79	-	4,602	(11,573)
Loan notes	(168,117)	-	-	-	-	-	-	-	(168,117)
Short-term provisions	(2,000)	-	-	-	-	-	-	-	(2,000)
	<u>(279,419)</u>								<u>(308,179)</u>
Net current assets	<u>70,834</u>								<u>82,365</u>
Non-current liabilities									
Bank loan	(44,884)	-	-	-	-	-	-	-	(44,884)
Deferred tax liabilities	(16,756)	(2,591)	-	-	(251)	-	-	(2,842)	(19,598)
Deferred lease incentives	(7,105)	(14,991)	-	-	-	(356)	-	(15,347)	(22,452)
	<u>(68,745)</u>								<u>(86,934)</u>
Total liabilities	<u>(348,164)</u>								<u>(395,113)</u>
Net assets	<u>338,959</u>	<u>3,005</u>	<u>6,375</u>	<u>(9,227)</u>	<u>(251)</u>	<u>(185)</u>	<u>-</u>	<u>(283)</u>	<u>338,676</u>
Equity									
Share capital	11,538	-	-	-	-	-	-	-	11,538
Share premium account	157,219	-	-	-	-	-	-	-	157,219
Capital redemption reserve	1,069	-	-	-	-	-	-	-	1,069
Foreign currency translation reserve	-	-	-	-	-	-	(39) (b)	(39)	(39)
Retained earnings	169,133	3,005	6,375	(9,227)	(251)	(185)	39 (b)	(244)	168,889
Total equity	<u>338,959</u>	<u>3,005</u>	<u>6,375</u>	<u>(9,227)</u>	<u>(251)</u>	<u>(185)</u>	<u>-</u>	<u>(283)</u>	<u>338,676</u>

* Notes relate to the references in section 3.7

APPENDIX IV

Reconciliation of profit for the 53 weeks to 30 January 2005

	UK GAAP	IFRS 3 Goodwill	IAS 12 Income Taxes	IAS 17 Leases	IAS 1 Presentation	Effect of transition to IFRS	Restated under IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	<u>773,339</u>	-	-	-	-	-	<u>773,339</u>
Operating profit	50,339	12,989	-	(913)	(309)	11,767	62,106
Operating profit is stated after (charging)/crediting							
Goodwill amortisation	(12,989)	12,989	-	-	-	12,989	-
Creation of legal provision	(2,000)	-	-	-	-	-	(2,000)
Release of legal cost accrual	2,000	-	-	-	-	-	2,000
Finance income	9,036	-	-	-	-	-	9,036
Finance costs	(8,692)	-	-	-	-	-	(8,692)
Loss on disposal of subsidiary undertaking	<u>(309)</u>	-	-	-	309	309	<u>-</u>
Profit before taxation	50,374						62,450
Taxation	<u>(17,175)</u>	-	(386)	274	-	(112)	<u>(17,287)</u>
Profit for the period	<u>33,199</u>	<u>12,989</u>	<u>(386)</u>	<u>(639)</u>	<u>-</u>	<u>11,964</u>	<u>45,163</u>
Earnings per ordinary share	14.36p						19.54p
Diluted earnings per ordinary share	14.34p						19.51p

APPENDIX V

Reconciliation of net assets at 30 January 2005

	UKGAAP	Opening balance sheet adjustment	IFRS 3 Goodwill	IAS 10 Dividends	IAS 12 Income Taxes	IAS 17 Leases	Other *	Effect of transition to IFRS	Restated under IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets									
Goodwill	173,125	-	12,989	-	-	-	-	12,989	186,114
Property, plant and equipment	165,175	-	-	-	-	-	-	-	165,175
	<u>338,300</u>								<u>351,289</u>
Current assets									
Inventories	112,719	-	-	-	-	-	-	-	112,719
Trade and other receivables	12,181	24,316	-	-	-	-	(705) (a)	23,611	35,792
Current asset investment	168,117	-	-	-	-	-	-	-	168,117
Cash and cash equivalents	29,323	-	-	-	-	-	-	-	29,323
	<u>322,340</u>								<u>345,951</u>
Total assets	<u>660,640</u>								<u>697,240</u>
Current liabilities									
Trade and other payables	(79,774)	(8,252)	-	4	-	1,010	705 (a)	(6,533)	(86,307)
Tax liabilities	(19,495)	4,523	-	-	-	274	-	4,797	(14,698)
Bank loan and loan notes	(193,067)	-	-	-	-	-	-	-	(193,067)
Short-term provisions	(2,000)	-	-	-	-	-	-	-	(2,000)
	<u>(294,336)</u>								<u>(296,072)</u>
Net current assets	<u>28,004</u>								<u>49,879</u>
Non-current liabilities									
Bank loan	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	(16,312)	(2,591)	-	-	(386)	-	-	(2,977)	(19,289)
Deferred lease incentives	(7,577)	(14,991)	-	-	-	(1,923)	-	(16,914)	(24,491)
	<u>(23,889)</u>								<u>(43,780)</u>
Total liabilities	<u>(318,225)</u>								<u>(339,852)</u>
Net assets	<u>342,415</u>	<u>3,005</u>	<u>12,989</u>	<u>4</u>	<u>(386)</u>	<u>(639)</u>	<u>-</u>	<u>14,973</u>	<u>357,388</u>
Equity									
Share capital	11,538	-	-	-	-	-	-	-	11,538
Share premium account	157,219	-	-	-	-	-	-	-	157,219
Capital redemption reserve	1,069	-	-	-	-	-	-	-	1,069
Foreign currency translation reserve	-	-	-	-	-	-	(21) (b)	(21)	(21)
Retained earnings	172,589	3,005	12,989	4	(386)	(639)	21 (b)	14,994	187,583
Total equity	<u>342,415</u>	<u>3,005</u>	<u>12,989</u>	<u>4</u>	<u>(386)</u>	<u>(639)</u>	<u>-</u>	<u>14,973</u>	<u>357,388</u>

* Notes relate to the references in section 3.7