

T J HUGHES LIMITED
REGISTERED NUMBER: 224422
ANNUAL REPORT & ACCOUNTS
2002 – 2003



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DIRECTORS' REPORT

For the 52 Weeks ended 25 January 2003

The Directors present their annual report and the audited Financial Statements for the 52 week period ended 25 January 2003.

Re-registration as a private company

TJ Hughes plc formerly re-registered as a private limited company under the Companies Act 1985 on 17 September 2002.

Principal Activities

At the period-end the Company traded through 40 specialist department stores.

Change of ownership

The entire issued share capital of the company was acquired by JJB Sports plc on 19 April 2002.

Business review and future developments

During the 52 week period ended 25 January 2003 four TJ Hughes stores were opened. Total sales increased by 8.7% and the gross margin increased from 29.3% to 29.7%.

The operating profit for the 52 week period ended 25 January 2003 amounted to £4,031,000 (2002: £4,735,000).

A number of potential sites for new stores are being considered and plans are in hand to refurbish a number of existing stores.

Results and Dividends

The profit on ordinary activities after taxation for the period amounted to £2,198,000 (2002: £2,849,000).

The Directors recommend a final dividend of 6.59 pence per share, amounting to £2,000,000. An interim dividend of 1.48 pence per share, amounting to £447,000, was paid in respect of the 52 week period ended 26 January 2002.

Directors

The Directors who held office during the year or who have been appointed subsequently are set out below.

Mr GW Foster

Mr AJ Goody

Mr BAS Douglas

Mr DS Winterbottom (resigned: 19 April 2002)

Ms C McDowell (resigned: 19 April 2002)

Mr G Wotherspoon (resigned: 22 April 2002)

DIRECTORS' REPORT

For the 52 Weeks ended 25 January 2003 – (continued)

Mr D Whelan	(appointed: 8 May 2002)
Mr DJ Sharpe	(appointed: 8 May 2002; died: 7 October 2002)
Mr JD Greenwood	(appointed: 8 May 2002)
Mr BJK Dunn	(appointed: 8 May 2002)
Mr TW Knight	(appointed: 14 February 2003)

Share Capital

Details of the share capital issued during the period are set out in Note 14 to the Financial Statements.

Charitable and Political Contributions

Charitable contributions made by the Company in the period amounted to £2,775 (2002: £400). No political contributions were made during the period (2002: nil).

Payment of Suppliers

The Company does not follow any code or standard on payment practice.

The Company's policy concerning the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the Company's standard payment terms, and, in either case, to pay in accordance with its contractual or legal obligation, subject to confirmation of receipt of merchandise in good order.

The number of days purchases outstanding at 25 January 2003 was 67 days (2001: 49 days).

Employees

The Company seeks to ensure that disabled people, whether applying for or in employment, receive equal opportunities and are not discriminated against on the grounds of their disability.

The Company's affairs are discussed with employees on a formalised and regular basis, through management and staff councils, and through annual staff meetings held in each store following the end of the trading period.

The health and safety of the Company's employees, customers and members of the general public is a matter of primary concern. Accordingly it is the Company's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health of its employees and members of the public.

DIRECTORS' REPORT

For the 52 Weeks ended 25 January 2003 – (continued)

Pension Fund

Full details of the Company's defined benefit pension scheme are set out in Note 18 to the Financial Statements. Pension scheme funds are administered by Trustees and are independent of the Company's finances. There is no investment in the shares of the Company.

The defined benefit pension scheme was closed to new members with effect from 28 February 2002. A defined contribution stakeholder pension scheme was made available to all full-time and part-time employees of the Company with effect from 1 February 2002.

Directors' Interests and Options

- i) The number of ordinary shares and options over ordinary shares held by the Directors and their families at 25 January 2003 and 26 January 2002 (or date of appointment if later) are set out below:

	Ordinary Shares		Options over Ordinary Shares			
	2003	2002	Second Option Scheme		Third Option Scheme	
			2003	2002	2003	2002
G W Foster	--	48,974	---	34,500	--	639,000
A J Goody	--	--	--	30,000	--	80,000
B A S Douglas	--	--	--	30,000	--	80,000
D S Winterbottom	--	5,625	--	--	--	--
C McDowell	--	3,487	--	--	--	--
G Wotherspoon	--	5,000	--	--	--	--
D Whelan	--	--	--	--	--	--
DJ Sharpe	--	--	--	--	--	--
JD Greenwood	--	--	--	--	--	--
BJK Dunn	--	--	--	--	--	--
TW Knight	--	--	--	--	--	--

The interests of the current Directors in the Company have not changed since the period end.

- ii) Beneficial holdings of ordinary shares include the Directors' personal holdings and those of their spouses, minor children and holdings in family trusts, of which the Directors' spouses or their minor children are beneficiaries or potential beneficiaries.
- iii) On 16 May 2002 Mr GW Foster exercised options over 34,500 ordinary shares at an exercise price of 85.50 pence per share, making a gain on exercise of £18,803.
- iv) Under the terms of the Recommended Cash Offer by UBS Warburg on behalf of JJB Sports plc for TJ Hughes plc, and in accordance with the requirements of the Takeover Panel, the following Directors accepted a cash cancellation offer in consideration for releasing the following options over Ordinary Shares.

DIRECTORS' REPORT

For the 52 Weeks ended 25 January 2003 – (continued)

Directors' Interests and Options (continued)

Mr GW Foster	(415,500 options)
Mr AJ Goody	(80,000 options)
Mr BAS Douglas	(80,000 options)

The cash sum was set equal to the excess of the cash consideration payable for each TJ Hughes Share under the Recommended Cash Offer over the price per share at which share options were exercisable, multiplied by the number of TJ Hughes share options cancelled.

- v) 223,500 options over Ordinary Shares held by Mr GW Foster lapsed when the company was acquired by JJB Sports plc on 19 April 2002.
- vi) Mr AJ Goody and Mr BAS Douglas held no interest during the period in the shares of JJB Sports plc, the ultimate parent company. The interests of the other directors who held office at the end of the period in the shares of JJB Sports plc are included in the statutory accounts of that company.
- vii) During the period Mr GW Foster was granted 125,000 options to subscribe for ordinary shares in JJB Sports plc and Mr AJ Goody and Mr BAS Douglas were each granted 75,000 options to subscribe for ordinary shares in JJB Sports plc. None of these options were exercised during the period.

The Euro

Although the UK is not a member of the initial phase of Economic and Monetary Union effective on 1 January 1999 we have had discussions with retail trade organisations and suppliers about the practical aspects of introducing the Euro. Our assessment is that the initial impact on the Company will be minimal. If the UK were to adopt a single European currency, then the costs to the Company would depend on the policies and timing which may be adopted.

By Order of the Board



A J Goody
Secretary

10 September 2003

DIRECTORS' RESPONSIBILITIES STATEMENT

United Kingdom company law requires the Directors to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the period and the profit or loss for that period. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the Members of TJ Hughes Limited

We have audited the Financial Statements of TJ Hughes Limited for the 52 weeks ended 25 January 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the statement of accounting policies and the related Notes 1 to 19. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the Financial Statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the Financial Statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the Financial Statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the company's affairs as at 25 January 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Manchester

10 September 2003

PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 25 January 2003

	Notes	52 weeks 2003 £'000	52 weeks 2002 £'000
TURNOVER – continuing activities	2	208,737	192,038
Cost of Sales		<u>(146,772)</u>	<u>(135,841)</u>
GROSS PROFIT		61,965	56,197
Distribution costs		<u>(51,794)</u>	<u>(45,721)</u>
Administrative expenses before exceptional expenses		<u>(5,479)</u>	<u>(4,959)</u>
Exceptional administrative expenses	4	<u>(661)</u>	<u>(782)</u>
		<u>(6,140)</u>	<u>(5,741)</u>
OPERATING PROFIT – continuing activities	3	4,031	4,735
Net interest payable	5	<u>(421)</u>	<u>(508)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,610	4,227
Tax on profit on ordinary activities	7	<u>(1,412)</u>	<u>(1,378)</u>
PROFIT FOR THE FINANCIAL PERIOD		2,198	2,849
Dividends	8	<u>(2,000)</u>	<u>(447)</u>
PROFIT RETAINED FOR THE FINANCIAL PERIOD	15	<u>198</u>	<u>2,402</u>

There is no material difference between the profit reported above and that calculated on an historical cost basis.

All activity has arisen from continuing operations.

There are no recognised gains or losses in either year other than the profit for the year.

The notes on pages 12 to 25 form part of these Financial Statements.

BALANCE SHEET

at 25 January 2003

		2003		2002	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		45,400		39,233
CURRENT ASSETS					
Stocks		34,277		34,832	
Debtors	10	3,309		4,867	
Cash at bank and in hand		<u>18,660</u>		<u>5,811</u>	
		56,246		45,510	
CREDITORS – amounts falling due within one year					
	11	<u>(47,636)</u>		<u>(30,849)</u>	
NET CURRENT ASSETS					
			<u>8,610</u>		<u>14,661</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			54,010		53,894
CREDITORS – amounts falling due after more than one year					
	11		(13,092)		(13,899)
PROVISIONS FOR LIABILITIES AND CHARGES					
	13		<u>(3,234)</u>		<u>(2,633)</u>
NET ASSETS					
			<u>37,684</u>		<u>37,362</u>
CAPITAL AND RESERVES					
Called up share capital	14		3,035		3,022
Share premium account	15		20,265		20,154
Revaluation reserve	15		419		424
Profit and loss account	15		<u>13,965</u>		<u>13,762</u>
EQUITY SHAREHOLDERS' FUNDS					
			<u>37,684</u>		<u>37,362</u>

These Financial Statements were approved by the Board of Directors on 10 September 2003 and signed on its behalf by:

G W Foster

Director

A J Goody

Director

The notes on pages 12 to 25 form part of these Financial Statements.

CASH FLOW STATEMENT

For the 52 weeks ended 25 January 2003

		52 weeks 2003 £'000	£'000	52 weeks 2002 £'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)		24,922		6,797
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest paid		(586)		(572)	
Interest received		<u>158</u>		<u>108</u>	
			(428)		(464)
TAXATION					
UK Corporation tax paid			(707)		(1,324)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS					
Purchase of tangible fixed assets		(9,562)		(12,841)	
Receipt of government grants		<u>—</u>		<u>225</u>	
			(9,562)		(12,616)
EQUITY DIVIDENDS PAID			<u>—</u>		<u>(1,438)</u>
Cash outflow before financing			14,225		(9,045)
FINANCING					
Proceeds from issue of shares		124		12	
(Loan repayment)/Receipt from new loans		<u>(1,500)</u>		<u>4,000</u>	
			<u>(1,376)</u>		<u>4,012</u>
INCREASE / (DECREASE) IN CASH	(b)		<u>12,849</u>		<u>(5,033)</u>

The notes on pages 12 to 25 form part of these Financial Statements.

CASH FLOW STATEMENT

For the 52 weeks ended 25 January 2003– (continued)

(a) Reconciliation of operating profit to net cash flow from operating activities

	52 weeks 2003 £'000	52 weeks 2002 £'000
Operating profit	4,031	4,735
Depreciation and other amounts written off tangible fixed assets	3,456	2,831
Decrease/(Increase) in stocks	555	(4,255)
Decrease/(Increase) in debtors	1,558	(1,016)
Increase in creditors	<u>15,322</u>	<u>4,502</u>
Net cash inflow from operating activities	<u>24,922</u>	<u>6,797</u>

(b) Reconciliation of net cash flow to movement in net debt

	52 weeks 2003 £'000	52 weeks 2002 £'000
Increase/(Decrease) in cash in the period	12,849	(5,033)
Cash inflow/(outflow) from change in debt	<u>1,500</u>	<u>(4,000)</u>
Movement in net debt in period	14,349	(9,033)
Net (debt)/funds at 26 January 2002	<u>(4,189)</u>	<u>4,844</u>
Net funds/(debt) at 25 January 2003	<u>10,160</u>	<u>(4,189)</u>

(c) Analysis of net (debt)/funds

	26 January 2002 £'000	Cash flow £'000	25 January 2003 £'000
Cash at bank and in hand	5,811	12,849	18,660
Debt due within one year	(1,500)	(500)	(2,000)
Debt due after more than one year	<u>(8,500)</u>	<u>2000</u>	<u>(6,500)</u>
	<u>(4,189)</u>	<u>14,349</u>	<u>10,160</u>

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003

1. Accounting Policies

The principal accounting policies adopted by the Company, which have been consistently applied, are set out below.

(a) Basis of preparation

The Financial Statements have been prepared for the 52 week period (2002: 52 week period) ended 25 January 2003 under the historical cost convention as modified by the revaluation of freehold premises, and in accordance with applicable accounting standards.

(b) Stocks

Stocks, representing goods for resale, are valued at the lower of cost and net realisable value.

(c) Deferred taxation

Except where otherwise required by Accounting Standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

(d) Depreciation

Tangible fixed assets are included at cost or valuation, less accumulated depreciation. Depreciation is not provided on the freehold store in Liverpool. An impairment test under FRS 11 has been carried out on these premises which has confirmed the valuation to be appropriate. Depreciation is charged on a straight line basis over the following periods:

- (i) Freehold buildings other than stores – 50 years.
- (ii) Fixed plant in freehold – 2.5% to 10% per annum.
- (iii) Short leasehold buildings and fixed plant – over the remaining period of the lease.
- (iv) Fixtures, fittings and equipment – 10% to 20% per annum.

The Company has taken advantage of the transitional arrangements of FRS 15 to retain the book amount of revalued assets at their previous revaluations. The date of the last revaluation was January 1995.

(e) Leased assets

Operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(f) Pre-opening expenses and capital contributions

Pre-opening costs are charged to the profit and loss account as incurred.

Contributions and any other incentives receivable towards the costs of fitting out new stores are credited to the profit and loss account in equal instalments over the period to the first rent review date.

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

1. Accounting Policies *(continued)*

(g) Pensions

The cost of the Company's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees (see Note 18). The pension cost is assessed in accordance with the advice of qualified actuaries.

Whilst the Company continues to account for pension costs in accordance with SSAP 24 "Accounting for Pensions Costs", certain transitional disclosures required by FRS 17 "Retirement Benefits" are presented in Note 18.

(h) Grants

Grants in respect of capital expenditure are recognised in the profit and loss account on a straight line basis over the expected useful life of the asset to which they relate. Grants in respect of revenue expenditure are recognised in the profit and loss account in the period in which they become receivable.

(i) Significant estimates

FRS 18 requires disclosure of the bases of significant estimations in Company accounts. The only significant estimate in these accounts is in relation to the provision for slow moving stock which is based on current and forecast realisable values.

2. Turnover and Profit on Ordinary Activities before Taxation

Turnover consists of the amounts receivable for goods and services supplied by the company as principal and through lease and concession operations within the Company's stores, excluding value added tax. Turnover and profit on ordinary activities relate wholly to continuing retailing activities in the United Kingdom.

3. Operating Profit

	52 weeks 2003 £'000	52 weeks 2002 £'000
This has been stated after charging/(crediting):		
Exceptional items (note 4)	661	782
Depreciation of tangible fixed assets		
Owned assets	3,456	2,824
Loss on disposal of tangible fixed assets	--	7
Operating lease rentals		
Plant and equipment	524	372
Land and buildings	8,818	7,516
Release of government grants	(7)	(8)
Fees payable to auditors		
For audit services	35	50
For other services	--	44

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

4. Exceptional Items

The exceptional expense of £661,000 included in administrative expenses for the 52 week period ended 25 January 2003 comprises costs incurred in respect of the acquisition of the company by JJB Sports plc and includes fees payable to the company's brokers, solicitors and previous auditors.

The exceptional items included in administrative expenses in the 52 week period ended 26 January 2002 totalling £782,000 comprise:

- bid defence costs of £318,000 in respect of the hostile takeover attempt in May 2001;
- costs associated with the stock adjustment of £224,000, comprising compensation to the previous Finance Director and associated legal costs, recruitment of a new Finance Director and investigation by KPMG into the new stock system;
- costs of £240,000 in respect of managing the potential offer process initiated in November 2001, comprising fees payable to the Company's brokers, solicitors and auditors.

5. Net Interest Payable

	<i>52 weeks</i> <i>2003</i> <i>£'000</i>	<i>52 weeks</i> <i>2002</i> <i>£'000</i>
On bank loans and overdrafts	574	590
Other interest payable	4	27
Bank interest receivable	(70)	(94)
Other interest receivable	<u>(87)</u>	<u>(15)</u>
	<u>421</u>	<u>508</u>

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

6. Directors and Employees

<i>Employees</i>	<i>52 weeks 2003</i>	<i>52 weeks 2002</i>
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The average number of persons employed by the Company was:

Full time	1,074	1,026
Part time	<u>2,693</u>	<u>2,422</u>
	<u>3,767</u>	<u>3,448</u>

Total expressed in terms of full time equivalent employees	<u>1,835</u>	<u>1,709</u>
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<i>52 weeks 2003 £'000</i>	<i>52 weeks 2002 £'000</i>
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The aggregate payroll costs of these persons were as follows:

Wages and salaries	24,221	21,712
Social security costs	1,336	1,240
Pension costs	<u>478</u>	<u>376</u>
	<u>26,035</u>	<u>23,328</u>

Directors' Remuneration

The remuneration of the directors was as follows:

	<i>52 weeks 2003 £'000</i>	<i>52 weeks 2002 £'000</i>
Emoluments	545	488
Pension contributions	33	65
Compensation for loss of office	31	110
Fees paid to third parties in respect of directors' services	<u>4</u>	<u>20</u>
	<u>613</u>	<u>683</u>

The above amounts include the following in respect of the highest paid director.

	<i>52 weeks 2003 £'000</i>	<i>52 weeks 2002 £'000</i>
Emoluments	289	217
Pension contributions	<u>33</u>	<u>65</u>
	<u>322</u>	<u>282</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 25 January 2003 was £18,413 (2002: £14,800).

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

6. Directors and Employees *(continued)*

Under the terms of the Recommended Cash Offer by UBS Warburg on behalf of JJB Sports plc for TJ Hughes plc, and in accordance with the requirements of the Takeover Panel, a cash cancellation offer was made to all holders of options over Ordinary Shares in TJ Hughes plc in consideration for releasing those options.

The cash sum was set equal to the excess of the cash consideration payable for each TJ Hughes Share under the Recommended Cash Offer over the price per share at which share options were exercisable, multiplied by the number of TJ Hughes share options cancelled.

The total cash cancellation payments made to Directors of the company amounted to £278,748, including £165,448 in respect of the highest paid director.

The directors participate in share option schemes operated by the parent company. No gains were made on the exercise of share options in the parent company during the period.

7. Taxation

The charge for the year comprises:

	<i>52 weeks 2003 £'000</i>	<i>52 weeks 2002 £'000</i>
UK Corporation tax charge at 30% (2001: 30%) based on taxable profit for the period	788	902
Deferred tax	<u>624</u>	<u>476</u>
	<u>1,412</u>	<u>1,378</u>

The tax charge for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below.

	<i>52 weeks 2003 £'000</i>	<i>52 weeks 2002 £'000</i>
Profit on ordinary activities before tax	<u>3,610</u>	<u>4,227</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	1,083	1,268
Effects of:		
Expenses not deductible for tax purposes	219	99
Capital allowances less than/(in excess of) depreciation	(54)	111
Non-taxable income	<u>(460)</u>	<u>(576)</u>
Current tax charge for the period	<u>788</u>	<u>902</u>

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

8. Dividends

	52 weeks 2003 £'000	52 weeks 2002 £'000
Ordinary shares:		
Interim dividend (2002: 1.48p per share paid on 28 th December 2001)	--	447
Final dividend proposed: 6.59p per share (2002: nil)	<u>2,000</u>	--
Dividends on equity shares	<u>2,000</u>	<u>447</u>

9. Tangible Fixed Assets

	Freehold properties and fixed plant £'000	Short leasehold properties and fixed plant £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 26 January 2002	7,900	24,428	20,264	52,592
Additions	199	3,852	5,572	9,623
At 25 January 2003	<u>8,099</u>	<u>28,280</u>	<u>25,836</u>	<u>62,215</u>
Comprising				
Valuations	3,265	--	--	3,265
Cost	4,834	28,280	25,836	58,950
	<u>8,099</u>	<u>28,280</u>	<u>25,836</u>	<u>62,215</u>
Depreciation				
At 26 January 2002	592	4,079	8,688	13,359
Charge for period	168	1,112	2,176	3,456
At 25 January 2003	<u>760</u>	<u>5,191</u>	<u>10,864</u>	<u>16,815</u>
Net book amount				
At 25 January 2003	<u>7,339</u>	<u>23,089</u>	<u>14,972</u>	<u>45,400</u>
At 26 th January 2002	<u>7,308</u>	<u>20,349</u>	<u>11,576</u>	<u>39,233</u>

In 1994/5 the Company's two freehold properties were revalued by an independent valuer on an open market existing use basis and the aggregate surplus of £434,000 was credited to a revaluation reserve.

Under the historical cost convention freehold properties would have been included at a cost of £7,665,000 (2002: £7,466,000) less accumulated depreciation of £745,000 (2002: £582,000).

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

10. Debtors	2003 £'000	2002 £'000
Trade debtors	994	2,002
Prepayments	<u>2,315</u>	<u>2,865</u>
	<u>3,309</u>	<u>4,867</u>

11. Creditors (Amounts falling due within one year and after one year)

	2003 £'000	2002 £'000
Amounts falling due within one year:		
Bank Loan	2,000	1,500
Trade creditors	29,028	17,638
Taxation and social security	4,317	3,408
Accruals and deferred income	10,291	8,303
Proposed dividend	<u>2,000</u>	<u>-</u>
	<u>47,636</u>	<u>30,849</u>
	2003	2002
Amounts falling due after more than one period:	£'000	£'000
Bank loan	6,500	8,500
Accruals and deferred income	<u>6,592</u>	<u>5,399</u>
	<u>13,092</u>	<u>13,899</u>

12. Treasury Policy and Financial Instruments

The Company's policy, approved by the Directors, is to manage its funding requirements and treasury risks without undertaking any speculative risks. The Company's policy with regard to the maturity profile and interest rate risk of debt is that the majority of the Company's financing should be provided by floating rate debt. Debt should be fixed for a period if raised to finance expansion with the remainder being short term. The principal funding for the Company is through an unsecured term loan of £10m repayable in 60 equal monthly instalments which commenced on 1 May 2002 and an undrawn overdraft facility of £14m with the Company's clearing bank. The balance on the term loan stood at £8.5m at 25 January 2003. Cash deposits are placed short term with the clearing bank where security and liquidity are the prime objectives. The Company's policy is to take out future loans at variable interest rates.

Less than one per cent of the Company's purchases are made in foreign currencies. Where necessary, to reduce any associated risk these transactions are covered, as commitments are made, by foreign exchange contracts. Such commitments generally do not extend further than two to three months beyond the balance sheet date. There were no material hedging gains or losses during the period.

(a) The Company does not trade in derivatives.

(b) Short term debtors and creditors.

Short term debtors and creditors have been excluded from all the following disclosures.

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

12. Financial Instruments (continued)

(c) Currency and interest rate profile of all financial liabilities.

	2003 £000	2002 £000
Term Bank Loan (Sterling)	8,500	10,000

The term loan is unsecured and is repayable in 60 equal monthly instalments which commenced on 1 May 2002. Interest is payable at 0.75% above LIBOR.

(d) Currency and interest rate profile of financial assets

	2003 £000	2002 £'000
Cash at bank and in hand (Sterling)	18,660	5,773

Cash balances are held with the Company's clearing bank. They earn interest at money market rates.

(e) Maturity of Financial Liabilities.

The maturity profile of the carrying amount of the Company's financial liabilities, other than short-term creditors such as trade creditors and accruals, was as follows:

	2003 Debt £'000	2002 Debt £'000
In one year or less	2,000	1,500
In more than one year but not more than two	2,000	2,000
In more than two years but not more than five	4,500	6,500
In more than five years	--	--
	<u>8,500</u>	<u>10,000</u>

(f) Borrowing Facilities

The Company has the following undrawn committed borrowing facilities which include a £10.0m overdraft facility available at 25 January 2003 (26 January 2002: £14.0m) all of which are at floating rates of interest.

	2003 £000	2002 £'000
Expiring within one year or on demand	10,000	14,000
Expiring in more than one year but not more than two	--	--
Expiring in more than two years but not more than five	--	--
Expiring in more than five years	--	--
	<u>10,000</u>	<u>14,000</u>

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

12. Financial Instruments *(continued)*

(g) Fair Values of Financial Assets and Liabilities

	2003		2002	
	<i>Book Value £'000</i>	<i>Fair Value £'000</i>	<i>Book Value £'000</i>	<i>Fair Value £'000</i>
Short term borrowings (due in less than one year)	(2,000)	(2,000)	(1,500)	(1,500)
Long term borrowings (due in more than one year)	(6,500)	(6,500)	(8,500)	(8,500)
Cash at bank and in hand	18,660	18,660	5,773	5,773

13. Provisions for Liabilities and Charges

	2003 £'000	2002 £'000
Deferred taxation	3,070	2,446
Pension obligations	<u>164</u>	<u>187</u>
	<u>3,234</u>	<u>2,633</u>
Deferred taxation has been provided in full in respect of		
Accelerated capital allowances	3,250	2,673
Other short-term timing differences	<u>(180)</u>	<u>(227)</u>
	<u>3,070</u>	<u>2,446</u>

No provision has been made for deferred taxation in respect of any future disposals of revalued properties as the Directors do not envisage any such liability crystallising in the foreseeable future.

The movement in provisions is as follows:

	<i>Deferred Taxation £'000</i>	<i>Pension Obligations £'000</i>
At 26 January 2002	2,446	187
Charged/(credited) to profit and loss account	<u>624</u>	<u>(23)</u>
At 25 January 2003	<u>3,070</u>	<u>164</u>

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

14. Called Up Share Capital

The authorised share capital is represented by 47,900,000 (2002: 47,900,000) ordinary shares of 10p each. The called-up share capital, all fully paid, is as follows:

	<i>Number of shares</i>	<i>£'000</i>
Balance at beginning of year	30,219,912	3,022
Issued under option schemes	<u>131,989</u>	<u>13</u>
Balance at end of year	<u>30,351,901</u>	<u>3,035</u>

15. Reserves

The movement on reserves is as follows:

	<i>Share premium account £'000</i>	<i>Revaluation reserve £'000</i>	<i>Profit and loss account £'000</i>
At 26 January 2002	20,154	424	13,762
Retained profit for the period	--	--	198
Reserve transfer	--	(5)	5
Premium on share issue	<u>111</u>	<u>--</u>	<u>--</u>
At 25 January 2003	<u>20,265</u>	<u>419</u>	<u>13,965</u>

The cumulative amount of goodwill written off directly against reserves amounts to £416,000 (2002: £416,000).

16. Reconciliation of Movements in Shareholders' Funds

	<i>52 weeks 2003 £'000</i>	<i>52 weeks 2002 £'000</i>
Profit for the financial period	2,198	2,849
Dividends	<u>(2,000)</u>	<u>(447)</u>
	198	2,402
Net proceeds of issue of shares	<u>124</u>	<u>12</u>
Net addition to shareholders' funds	322	2,414
Opening shareholders' funds	<u>37,362</u>	<u>34,948</u>
Closing shareholders' funds	<u>37,684</u>	<u>37,362</u>

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

17. Commitments

The capital commitments are as follows:

	2003 £'000	2002 £'000
Contracts for capital expenditure	<u>1,643</u>	<u>5,552</u>

Current annual rental commitments of the Company under operating leases are as follows:

	2003		2002	
	<i>Land and Buildings</i> £'000	<i>Others</i> £'000	<i>Land and Buildings</i> £'000	<i>Others</i> £'000
Lease expiring:				
within one year	--	73	300	51
in the second to fifth year inclusive	--	451	--	275
over five years	<u>9,706</u>	<u>--</u>	<u>8,794</u>	<u>--</u>
	<u>9,706</u>	<u>524</u>	<u>9,094</u>	<u>326</u>

18. Pensions

The company operates a defined benefit scheme, which is now closed to new members. The scheme is administered through a separate trustee administered fund. Also, the company operates a stakeholder pension.

The pension cost for the defined benefit scheme was £478,000 (2002: £376,000). The pension cost for the stakeholders pension was £479 (2002: £Nil).

The pension cost of the defined benefit scheme is assessed in accordance with the advice of an independent professionally qualified actuary. The latest actuarial valuation was at 31 March 2000 and used the projected unit method. The main actuarial assumptions were that:

- i) Salaries would increase by 3.5% per annum.
- ii) The return on scheme investments would be 6.5% per annum.
- iii) Pensions in payment would increase by 2.5% per annum.

At the date of the last actuarial valuation, the market value of the assets of the scheme was £7,739,000 and this gave a surplus of £685,000 in covering the benefits accrued to members at that date after allowing for expected future increases in earnings and pensions.

The pension contributions made to the defined benefit scheme by the company were 8% up to 31 March 2002 and 11% thereafter. The pension contributions made by the employees were 2% up to 1 March 2002 and 4% thereafter.

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

18. Pension arrangements (continued)

As noted above, and as required by SSAP 24, the figures included in the financial statements in respect of the company pension scheme are based on an actuarial valuation carried out at 31 March 2000. This does not take into account any impact of the fall in general stock market values since that date. Any such impact will be reflected in the next SSAP 24 triennial valuation as at 31 March 2003 based upon which subsequent pension costs will be determined until the adoption of FRS 17.

Additional disclosures regarding the company's defined benefit pension scheme are required under the transitional provisions of FRS 17, Retirement Benefits', and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information that will be necessary for full implementation of FRS 17.

The actuarial valuation described above has been updated at 25 January 2003 by a qualified independent actuary using revised assumptions that are consistent with the requirement of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the valuation were:

	2003 % per annum	2002 % per annum
Rate of increase of salaries	2.9%	3.4%
Rate of increase pensions in payment	2.4%	2.4%
Discount rate	5.25%	5.8%
Inflation rate	2.4%	2.4%
Return on assets	6.25%	6.42%

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2003 Value £'000	2002 Value £'000
Total fair value of assets	6,090	6,700
Present value of scheme liabilities	(8,440)	(7,300)
(Deficit) in the scheme	(2,350)	(600)
Deferred tax asset	705	180
Net pension (liability)	(1,645)	(420)

The amounts above are in respect of the entire defined benefit scheme.

Analysis of amount that would have been charged to operating profit under FRS 17:

	£'000
Service cost	453
Total operating cost	453

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

18. Pension arrangements (continued)

Analysis of the amount that would have been credited to net finance income under FRS 17:

	£'000
Expected return	446
Interest on pension liability	<u>(436)</u>
Net return	<u>10</u>

Analysis of the amounts that would have been recognised in the statement of total recognised gains and losses:

	£'000
Actual return in excess of expected	(1,543)
Experience gains/losses on liabilities	325
Change in financial assumptions	<u>(590)</u>
Actual loss	<u>(1,808)</u>

Movement in deficit during the year:

	£'000
Deficit at 26 January 2002	(600)
Current service cost	(453)
Contributions	501
Net return	10
STRGL loss	<u>(1,808)</u>
Deficit at 25 January 2003	<u>(2,350)</u>

History of experience gains and losses

	£'000
Difference between the actual and expected return on scheme assets	(1,543)
Value of plan assets	6,090
Percentage of scheme assets	(25.34%)
Experience gains on scheme liabilities	325
Present value of scheme liabilities	8,440
Percentage of the present value of scheme liabilities	3.85%
Actuarial (losses) recognised in STRGL	(1,807)
Present value of scheme liabilities	8,440
Percentage of the present value of scheme liabilities	(21.41%)

NOTES TO THE FINANCIAL STATEMENTS

25 January 2003 - (continued)

19. Ultimate controlling party

The directors regard JJB Sports plc, a company incorporated in the United Kingdom, as the ultimate parent company and ultimate controlling party.

Copies of the group financial statements for JJB Sports plc for the period ended 31 January 2003 can be obtained from the Secretary, JJB Sports plc, Martland Park, Challenge Way, Wigan WN5 0LD.

As a subsidiary undertaking of JJB Sports plc, the company has taken advantage of the exemption in FRS 8 'Related party disclosures' from disclosing transactions with other members of the group headed by JJB Sports plc.