

John David Group (The) PLC
05 October 2005

The John David Group Plc
5th October 2005

Adoption Of International Financial Reporting Standards

Summary

The John David Group Plc (the 'Group') has today reported on its unaudited financial results for the 52 weeks to 29 January 2005 and six months to 31 July 2004 (1) under International Financial Reporting Standards ('IFRS').

For the year to 29 January 2005, primary differences under IFRS relative to previously reported financial results under UK GAAP are highlighted below:

Turnover and gross profit unchanged.

Headline PBT (2) under IFRS of £12.9 million compared to £13.7 million under UK GAAP. The £0.8 million adjustment relates to a reduction in the amount released for rent free periods. Under IFRS, the release is spread over the life of the lease whereas under UK GAAP it was spread over the period to the first rent review.

Statutory PBT under IFRS of £3.6 million compared to £2.6 million under UK GAAP. Although the headline PBT has reduced by £0.8 million this has been offset by write backs of:
a) £0.8 million for goodwill amortisation (no longer applicable under IFRS).
b) £1.0 million for exceptional rent free credits released on store disposals.

Goodwill amortisation is no longer applicable.

Exceptional items as defined in UK GAAP under FRS 3 are no longer applicable. As a result, the costs previously recognised as 'Loss On Disposal' have now been reclassified within Operating Profit. However, to aid understanding of the performance, the Operating Profit Before Financing has been separately analysed on the face of the Consolidated Income Statement into 'Before Exceptional Items' and 'Exceptional Items'.

Effective tax rate of 37.2% compared to 37.6% reported under UK GAAP (calculated on profit before taxation excluding goodwill amortisation).

Diluted EPS of 4.81p under IFRS compared to diluted EPS of 2.85p reported under UK GAAP.

Shareholders' funds at 29 January 2005 of £53.6 million under IFRS compared to £55.7 million reported under UK GAAP, due to balance sheet remeasurements under IFRS, including the reversal of £2.1 million provided for the proposed final dividend payment under UK GAAP.

No impact on cashflows.

International Financial Reporting Standards are subject to ongoing amendments by the International Accounting Standards board and some standards have yet to be endorsed by the European Commission. Further development of the interpretation of these standards could result in changes in the basis in accounting or presentation of certain items and accordingly this financial information is subject to possible change.

Consolidated Income Statement For The 52 Weeks To 29 January 2005 - Unaudited

	UK GAAP £000	IFRS Adjustments £000	IFRS £000
REVENUE	471,656	-	471,656
Cost of sales	(256,504)		(256,504)
	-----	-----	-----
GROSS PROFIT	215,152	-	215,152
Net operating expenses	(206,796)	(597)	(207,393)

	-----	-----	-----
OPERATING PROFIT	8,356	(597)	7,759
-----	-----	-----	-----
Before exceptional items	17,891	(793)	17,098
Exceptional items	(8,723)	(616)	(9,339)
Goodwill amortisation	(812)	812	-
-----	-----	-----	-----
OPERATING PROFIT	8,356	(597)	7,759
Loss on disposal of fixed assets	(1,569)	1,569	-
-----	-----	-----	-----
OPERATING PROFIT BEFORE FINANCING	6,787	972	7,759
Financial income	304	-	304
Financial expenses	(4,461)	-	(4,461)
-----	-----	-----	-----
PROFIT BEFORE TAX	2,630	972	3,602
Income tax expense	(1,293)	(48)	(1,341)
-----	-----	-----	-----
PROFIT FOR THE PERIOD	1,337	924	2,261
-----	-----	-----	-----
DIVIDENDS (3)	(3,119)	1,303	(1,816)
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Notes:

(1) During the year to 29 January 2005, the Group moved its financial calendar from an annual basis to 4,5,4 weekly accounting periods in common with other major retailers, with the year end being the nearest Saturday to 31 January.

(2) Headline PBT represents profit before tax excluding exceptional items and goodwill amortisation (NB: no longer applicable under IFRS).

(3) Dividends recognised as distributions to equity holders during the period.

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The John David Group Plc

Adoption Of International Financial Reporting Standards

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1 INTRODUCTION

For all periods up to and including the year to 29 January 2005, The John David Group Plc has prepared its financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). For the year to 28 January 2006, The John David Group Plc is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission.

The Group's transition date to IFRS is 1 February 2004. This has been determined

in accordance with IFRS 1 'First Time Adoption of International Financial Reporting Standards', being the start of the earliest period of comparative information.

To explain the transition to IFRS, the unaudited financial performance and position of the Group has been converted from UK GAAP to IFRS for the year to 29 January 2005. An explanation of the principle adjustments required by The John David Group Plc on conversion to IFRS is set out in section 2, with summary financial information presented in section 3. The financial information presented includes:

The Group's Consolidated Income Statements for the 52 weeks to 29 January 2005 and six months to 31 July 2004
The Group's Consolidated Balance Sheets at 29 January 2005, 31 July 2004 and 31 January 2004.

This document explains all material accounting policy changes from the accounting policies adopted in the UK GAAP financial statements for the year to 29 January 2005. A full set of IFRS accounting policies is included in Section 4.

The financial information presented in this document is unaudited.

Transitional Arrangements In IFRS 1 ('First Time Adoption Of International Financial Reporting Standards')

In implementing the transition to IFRS, the Group has followed the requirements of IFRS1, which in general requires IFRS accounting policies to be applied fully retrospectively in deriving the opening balance sheet at the date of transition (1 February 2004).

However, IFRS1 contains certain mandatory exemptions and some optional exemptions to this principle of retrospective application. Set out below is a description of the significant first time adoption choices made by the Group:

a) IAS 32 ('Financial Instruments: Disclosure And Presentation' / IAS 39: 'Financial Instruments: Recognition And Measurement')

The Group has taken the option to defer the implementation of IAS 32 and IAS 39 to the financial year ending 28 January 2006. Therefore, financial instruments will continue to be accounted for and presented in accordance with UK GAAP for the year ended 29 January 2005. To the extent that any adjustment is required, this would be in order to reflect the movements from UK GAAP carrying values to IAS 39 values. It is the Group's intention to apply hedge accounting where the requirements of IAS 39 are met.

b) IFRS 3 ('Business Combinations')

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before the date of transition.

The goodwill arising on the acquisition of the First Sport group of companies was reviewed at the transition date and no impairment was found necessary. As a result, goodwill arising from the First Sport business combination at transition remains as stated under UK GAAP at 1 February 2004 (£14,976k).

2 EXPLANATION OF ADJUSTMENTS UNDER IFRS

The format of the IFRS primary financial information contained within this document is prepared in accordance with IAS 1 'Presentation of Financial Statements', which differs from the UK GAAP format. Under IFRS, exceptional items are not defined and therefore are included within Net Operating Expenses. However, The John David Group Plc will separately analyse the Operating Profit Before Financing on the face of the Consolidated Income Statement and provide adjusted earnings per share to assist shareholders.

The IFRS changes set out below have no effect on cash flows.

The significant adjustments between UK GAAP and IFRS which affect the Group are as follows:

2.1 IAS 1 'Presentation Of Financial Statements'

In the year to 29 January 2005, exceptional costs of £8.7 million were recognised within Operating Profit principally relating to the impairment of tangible fixed assets on loss making stores. In addition, a further £1.6 million

of costs were separately analysed after Operating Profit for Loss on Disposal of Fixed Assets as permitted under UK GAAP.

The total exceptional costs now presented under IFRS on the face of the Consolidated Income Statement have been reduced by £1.0 million compared to the total of all exceptional costs under UK GAAP to reflect the release of lease incentives on the disposal of properties where under UK GAAP the incentive had been fully amortised (See Section 2.2).

2.2 IAS 17 'Leases' / SIC-15 'Operating Leases - Incentives'

IAS 17 'Leases' requires that the building element of leases on land and buildings is considered separately for the purposes of determining whether the lease is finance or operating in nature.

In response to this requirement, a review has been undertaken of the Group's leased property portfolio to assess whether the building element of these leases could be categorised as finance in nature. Based on this review and the assessment of the expected useful economic life of the properties at the point of inception of the lease, it is considered that the respective building elements are operating in nature.

Legal fees and other costs associated with the acquisition of a leasehold interest have been reclassified as Other Receivables within non-current assets.

Under UK GAAP, lease incentives were recognised over the period to the first market rent review. However, under SIC-15 'Operating Leases - Incentives', lease incentives are required to be recognised over the entire lease term.

As a result, the Group's IFRS opening balance sheet at 1 February 2004 includes additional deferred income of £7.2 million (before a deferred tax asset of £2.2 million). There is also a reduction in operating profit for the 52 weeks ended 29 January 2005 of £0.8 million. However, this reduction has been offset by a one off credit of £1.0 million through exceptional items for the release of deferred income balances on the disposal of properties where the incentive had been fully amortised under UK GAAP but a portion had to be reinstated on 1 February 2004 under IFRS.

2.3 IFRS 3 'Business Combinations' / IAS 36 'Impairment of Assets'

Under UK GAAP, goodwill was capitalised and amortised over its estimated useful economic life and a charge of £0.8 million for amortisation was recorded in the 52 weeks to 29 January 2005.

Under IFRS 3 'Business Combinations', goodwill has been assigned an indefinite life as at the date of transition and it is no longer amortised. The John David Group Plc has elected to apply the exemption relating to Business Combinations and has frozen its goodwill on the acquisition of the First Sport group of companies at its carrying value as at 1 February 2004 (£15.0 million). All accumulated amortisation at this point in time has been reclassified against the cost of the goodwill.

On 15th December 2004, the Group purchased the entire share capital of RD Scott Limited for a total consideration of £4.5 million. Goodwill with a value of £4.2 million was capitalised on this transaction. Under UK GAAP, a very small charge was recorded in the period from acquisition to 29th January 2005. This charge has been reversed and the goodwill restated at the acquisition level.

Under IAS 36 'Impairment of Assets', impairment reviews will be carried out on goodwill on an annual basis and any impairment will be charged to the Consolidated Income Statement and, if material, reported separately.

2.4 IAS 12 'Income Taxes'

Under UK GAAP, deferred tax was recognised for all timing differences (being the difference between an entities taxable profits and its statutory results) which are expected to reverse.

Deferred tax under IAS 12 'Income Taxes' is recognised on all taxable temporary differences, all deductible temporary differences and unused tax losses to the extent that it is probable there are sufficient taxable profits available in future periods. Temporary differences are the difference between the tax base of an asset/liability and its carrying amount in the financial statements.

As a result, the Group's opening IFRS balance sheet at 1 February 2004 includes an additional deferred tax asset of £2.2 million in relation to the additional deferred income on rent free releases (see 'Leases' above). At 29 January 2005, the additional deferred tax asset in relation to this was £2.1 million.

HM Revenue and Customs have now confirmed that the adjustment in respect of the rent free releases is allowable as a deduction in the Corporation Tax computations for the accounting period to 28 January 2006. Accordingly, the deferred tax asset arising on this adjustment has been transferred to current tax in the current period.

The effective tax rate for the 52 weeks to 29 January 2005 is now 37.2% compared to 37.6% under UK GAAP (adjusted for goodwill amortisation).

2.5 IAS 10 'Events After The Balance Sheet Date'

Under UK GAAP, proposed dividends are recorded as a liability at the balance sheet date. Under IAS 10 'Events After The Balance Sheet Date', dividends proposed at the balance sheet date are only recorded as a liability when the shareholders have approved their distribution.

The final dividend proposed as at 31 January 2004 of £0.8 million (excluding the Scrip Dividend) has been reversed in the opening balance sheet and charged in the year to 29 January 2005. The final dividend proposed as at 29 January 2005 of £2.1 million has been reversed in the Statement of Changes in Equity and will be charged in the year to 28 January 2006.

The recognition of the charge in the Statement of Changes in Equity in relation to dividends does not affect the timing of dividend payments or the Group's dividend policy.

2.6 IAS 33 'Earnings Per Share'

The calculation of basic earnings per share is based on attributable profit for the period divided by the weighted average number of Ordinary Shares in issue during the period.

Diluted earnings per share is based on the weighted average number of Ordinary Shares in issue during the period. In addition, account is taken of any awards which will have dilutive effects when exercised (full vesting of all outstanding awards is assumed).

An adjusted earnings per share to exclude exceptional items will continue to be presented in the notes to the financial statements.

3 RESTATED IFRS CONSOLIDATED FINANCIAL INFORMATION

Consolidated Income Statement
52 Weeks Ended 29 January 2005 - unaudited

	UK GAAP	Loss On Disposal Reclassification	Leases & Incentives	Goodwill Amortisation	Dividends
IFRS	£'000	£'000	£'000	£'000	£'000
£'000					
REVENUE	471,656	-	-	-	-
471,656					
Cost of sales	(256,504)	-	-	-	-
(256,504)					
GROSS PROFIT	215,152	-	-	-	-
215,152					
Net operating expenses	(206,796)	(1,569)	160	812	-
(207,393)					
OPERATING PROFIT	8,356	(1,569)	160	812	-
7,759					
Before exceptional items	17,891	-	(793)	-	-
17,098					
Exceptional items	(8,723)	(1,569)	953	-	-
(9,339)					
Goodwill amortisation	(812)	-	-	812	-
-					
OPERATING PROFIT	8,356	(1,569)	160	812	-
7,759					
Loss on disposal of fixed	(1,569)	1,569	-	-	-
-					
assets					
OPERATING PROFIT BEFORE	6,787	-	160	812	-

7,759					
FINANCING					
Financial income	304	-	-	-	-
304					
Financial expenses	(4,461)	-	-	-	-
(4,461)					
PROFIT BEFORE TAX	2,630	-	160	812	-
3,602					
Income tax expense	(1,293)	-	(48)	-	-
(1,341)					
PROFIT FOR THE PERIOD	1,337	-	112	812	-
2,261					
DIVIDENDS (1)	(3,119)	-	-	-	1,303
(1,816)					

(1) Dividends recognised as distributions to equity holders during the period.

Consolidated Balance Sheet
As at 29 January 2005 - unaudited

	UK GAAP	Leases & Incentives	Goodwill Amortisation	Dividends	Onerous Leases
IFRS	£'000	£'000	£'000	£'000	£'000
£'000					
ASSETS					
Non-current assets					
Intangible assets	18,318	-	812	-	-
19,130					
Property, plant and equipment	56,789	(2,715)	-	-	-
54,074					
Other receivables	-	2,715	-	-	-
2,715					
TOTAL NON-CURRENT ASSETS	75,107	-	812	-	-
75,919					
Current assets					
Inventories	53,857	-	-	-	-
53,857					
Income tax receivable	-	-	-	-	-
-					
Trade and other receivables	11,707	-	-	-	-
11,707					
Cash and cash equivalents	6,531	-	-	-	-
6,531					
TOTAL CURRENT ASSETS	72,095	-	-	-	-
72,095					
TOTAL ASSETS	147,202	-	812	-	-
148,014					
LIABILITIES					
Current Liabilities					
Bank overdraft	(1,800)	-	-	-	-
(1,800)					
Interest bearing loans and borrowings	(9,000)	-	-	-	-
(9,000)					
Trade and other payables	(46,740)	614	-	2,085	-
(44,041)					
Provisions	-	-	-	-	(674)
(674)					
Income tax liabilities	(1,417)	-	-	-	-
(1,417)					
TOTAL CURRENT LIABILITIES	(58,957)	614	-	2,085	(674)
(56,932)					
Non-current liabilities					
Interest bearing loans and borrowings	(25,500)	-	-	-	-
(25,500)					
Other payables	(3,153)	(7,699)	-	-	-
(10,852)					
Provisions	(1,614)	-	-	-	674
(940)					
Deferred tax liabilities	(2,315)	2,125	-	-	-
(190)					
TOTAL NON-CURRENT LIABILITIES	(32,582)	(5,574)	-	-	674

(37,482)					
TOTAL LIABILITIES	(91,539)	(4,960)	-	2,085	-
(94,414)					
TOTAL ASSETS LESS TOTAL LIABILITIES	55,663	(4,960)	812	2,085	-
53,600					
EQUITY					
Issued ordinary share capital	2,364	-	-	-	-
2,364					
Share premium account	9,042	-	-	-	-
9,042					
Retained earnings	44,257	(4,960)	812	2,085	-
42,194					
TOTAL EQUITY ATTRIBUTABLE TO EQUITY	55,663	(4,960)	812	2,085	-
53,600					
SHAREHOLDERS					

Consolidated Income Statement

For The Six Months Ended 31 July 2004 - unaudited

	UK GAAP	Loss On Disposal Reclassification	Leases & Incentives	Goodwill Amortisation	Dividends
IFRS					
£'000	£'000	£'000	£'000	£'000	£'000
REVENUE	212,079	-	-	-	-
212,079					
Cost of sales	(114,530)	-	-	-	-
(114,530)					
GROSS PROFIT	97,549	-	-	-	-
97,549					
Net operating expenses	(100,489)	(1,314)	(242)	393	-
(101,652)					
OPERATING LOSS	(2,940)	(1,314)	(242)	393	-
(4,103)					
Before exceptional items	2,170	-	(317)	-	-
1,853					
Exceptional items	(4,717)	(1,314)	75	-	-
(5,956)					
Goodwill amortisation	(393)	-	-	393	-
-					
OPERATING LOSS	(2,940)	(1,314)	(242)	393	-
(4,103)					
Loss on disposal of fixed	(1,314)	1,314	-	-	-
-					
assets					
OPERATING LOSS BEFORE	(4,254)	-	(242)	393	-
(4,103)					
FINANCING					
Financial income	170	-	-	-	-
170					
Financial expenses	(2,285)	-	-	-	-
(2,285)					
LOSS BEFORE TAX	(6,369)	-	(242)	393	-
(6,218)					
Income tax credit	2,654	-	73	-	-
2,727					
LOSS FOR THE PERIOD	(3,715)	-	(169)	393	-
(3,491)					
DIVIDENDS (1)	(1,063)	-	-	-	281
(782)					

(1) Dividends recognised as distributions to equity holders during the period.

Consolidated Balance Sheet

As at 31 July 2004 - unaudited

IFRS	UK GAAP	Leases & Incentives	Goodwill Amortisation	Dividends	Onerous Leases
£'000	£'000	£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Intangible assets	14,583	-	393	-	-
14,976					
Property, plant and equipment	61,669	(3,231)	-	-	-
58,438					
Other receivables	-	3,231	-	-	-
3,231					
TOTAL NON-CURRENT ASSETS	76,252	-	393	-	-
76,645					
Current assets					
Inventories	72,113	-	-	-	-
72,113					
Income tax receivable	3,561	-	-	-	-
3,561					
Trade and other receivables	10,623	-	-	-	-
10,623					
Cash and cash equivalents	24,583	-	-	-	-
24,583					
TOTAL CURRENT ASSETS	110,880	-	-	-	-
110,880					
TOTAL ASSETS	187,132	-	393	-	-
187,525					
LIABILITIES					
Current Liabilities					
Bank overdraft	-	-	-	-	-
-					
Interest bearing loans and	(8,000)	-	-	-	-
(8,000)					
borrowings					
Trade and other payables	(56,438)	718	-	1,063	-
(54,657)					
Provisions	-	-	-	-	(845)
(845)					
Income tax liabilities	-	-	-	-	-
-					
TOTAL CURRENT LIABILITIES	(64,438)	718	-	1,063	(845)
(63,502)					
Non-current liabilities					
Interest bearing loans and	(62,000)	-	-	-	-
(62,000)					
borrowings					
Other payables	(2,991)	(8,205)	-	-	-
(11,196)					
Provisions	(1,012)	-	-	-	845
(167)					
Deferred tax liabilities	(4,175)	2,246	-	-	-
(1,929)					
TOTAL NON-CURRENT LIABILITIES	(70,178)	(5,959)	-	-	845
(75,292)					
TOTAL LIABILITIES	(134,616)	(5,241)	-	1,063	-
(138,794)					
TOTAL ASSETS LESS TOTAL LIABILITIES	52,516	(5,241)	393	1,063	-
48,731					
EQUITY					
Issued ordinary share capital	2,338	-	-	-	-
2,338					
Share premium account	8,917	-	-	-	-
8,917					
Retained earnings	41,261	(5,241)	393	1,063	-
37,476					
TOTAL EQUITY ATTRIBUTABLE TO EQUITY	52,516	(5,241)	393	1,063	-
48,731					
SHAREHOLDERS					

Consolidated Balance Sheet
As at 31 January 2004 - unaudited

UK GAAP	Leases & Incentives	Goodwill Amortisation	Dividends
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IFRS	£'000	£'000	£'000	£'000
£'000				
ASSETS				
Non-current assets				
Intangible assets	14,976	-	-	-
14,976				
Property, plant and equipment	68,183	(3,284)	-	-
64,899				
Other receivables	-	3,284	-	-
3,284				
TOTAL NON-CURRENT ASSETS	83,159	-	-	-
83,159				
Current assets				
Inventories	65,727	-	-	-
65,727				
Income tax receivable	611	-	-	-
611				
Trade and other receivables	14,452	-	-	-
14,452				
Cash and cash equivalents	4,934	-	-	-
4,934				
TOTAL CURRENT ASSETS	85,724	-	-	-
85,724				
TOTAL ASSETS	168,883	-	-	-
168,883				
LIABILITIES				
Current Liabilities				
Bank overdraft	-	-	-	-
-				
Interest bearing loans and borrowings	(8,000)	-	-	-
(8,000)				
Trade and other payables	(48,278)	964	-	782
(46,532)				
Provisions	-	-	-	-
-				
Income tax liabilities	-	-	-	-
-				
TOTAL CURRENT LIABILITIES	(56,278)	964	-	782
(54,532)				
Non-current liabilities				
Interest bearing loans and borrowings	(48,000)	-	-	-
(48,000)				
Other payables	(3,555)	(8,209)	-	-
(11,764)				
Provisions	-	-	-	-
-				
Deferred tax liabilities	(3,756)	2,173	-	-
(1,583)				
TOTAL NON-CURRENT LIABILITIES	(55,311)	(6,036)	-	-
(61,347)				
TOTAL LIABILITIES	(111,589)	(5,072)	-	782
(115,879)				
TOTAL ASSETS LESS TOTAL LIABILITIES	57,294	(5,072)	-	782
53,004				
EQUITY				
Issued ordinary share capital	2,338	-	-	-
2,338				
Share premium account	8,917	-	-	-
8,917				
Retained earnings	46,039	(5,072)	-	782
41,749				
TOTAL EQUITY ATTRIBUTABLE TO EQUITY	57,294	(5,072)	-	782
53,004				
SHAREHOLDERS				

4 IFRS ACCOUNTING POLICIES

Basis Of Preparation

European Union ('EU') law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of The John David Group Plc ('The Group'), those covering the 52 weeks ending 28 January 2006, are prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the E.U..

The Group has adopted IFRS with effect from 30 January 2005. The transition date

is 1 February 2004, being the start date of the earliest period for which full comparative information in the 2006 Annual Report and Accounts will be presented.

The financial information presented in this conversion statement which is unaudited has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 28 January 2006 or are expected to be endorsed and effective (or available for early adoption) at 28 January 2006, the Group's first annual reporting date at which it is required to use endorsed IFRS. Based on these endorsed IFRS, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are prepared for the 52 weeks ending 28 January 2006.

Furthermore, the adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the 52 weeks ending 28 January 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the 52 weeks ending 28 January 2006.

The comparative figures for the 52 weeks ended 29 January 2005 do not constitute the Group's statutory accounts for that financial period. Those accounts, which were prepared under UK GAAP, have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in this consolidated financial report and in preparing an opening IFRS balance sheet at 1 February 2004 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by all Group entities.

Basis Of Consolidation

I. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

II. Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Property, Plant And Equipment

I. Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful

lives, they are accounted for as separate items.

II. Leased assets

Assets funded through finance leases are capitalised as property, plant and equipment. The resulting lease obligations are included in liabilities net of finance charges. Interest costs on finance leases are charged to the Consolidated Income Statement.

All other leases are accounted for as operating leases and the rental charges are charged to the Consolidated Income Statement on a straight line basis over the life of the lease.

Legal fees and other costs associated with the acquisition of a leasehold interest are capitalised as Other Receivables within non-current assets. These costs are amortised over the life of the lease.

Lease incentives are credited to the Consolidated Income Statement on a straight line basis over the life of the lease.

III. Depreciation

Depreciation is charged to the Consolidated Income Statement over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Plant and equipment	3 - 6 years on a straight line basis
Fixtures and fittings	10 years, or length of lease if shorter, on a straight line basis

Intangible Assets

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, or the deemed cost on transition to IFRS.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Provisions are made for obsolescence, mark downs and shrinkage.

Trade Receivables

Trade receivables are recognised initially at their nominal value. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The movement in the provision is recognised in the Consolidated Income Statement.

Cash And Cash Equivalents / Net Debt

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Net debt consists of cash and cash equivalents together with other net borrowings from loan notes and finance leases.

Trade And Other Payables

Trade and other payables are stated at cost.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue

Revenue represents the amounts receivable by the Group for goods supplied to customers net of discounts, returns and VAT.

Exceptional Items

Items that are both material in size, unusual and infrequent in nature are presented as exceptional items in the Consolidated Income Statement. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance.

Financial Income

Financial Income comprises interest receivable on funds invested. Financial Income is recognised in the Consolidated Income Statement.

Financial Expenses

Financial expenses comprise interest payable on borrowings. Financial Expenses are recognised in the Consolidated Income Statement.

Income Tax

I. Current income tax

Current income tax expense is recognised based on management's best estimates of the average income tax rate expected for the full financial year.

II. Deferred taxation

Provision is made for deferred taxation using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the deferred income tax asset or liability crystallises.

Impairment

The carrying amounts of the Group's assets are reviewed annually to determine whether there is any indication of impairment. If any such impairment exists then the asset's recoverable amount is estimated. Impairment losses are recognised in the Consolidated Income Statement.

The goodwill was tested for impairment at 29 January 2005.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee Benefits

The Group only operates defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds. Obligations for contributions to the defined contribution schemes are recognised as an expense in the Consolidated Income Statement as incurred.

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