

Corporate & Financial Weekly Digest

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FSA Fines JJB Sports PLC for Disclosure Failings

On January 25, the UK Financial Services Authority (FSA) issued a Final Notice to JJB Sports plc that detailed a fine of £455,000 (approximately \$725,000). The FSA found that JJB had failed to disclose information to the market about the true cost of two acquisitions. These failings had led to a false market in JJB shares for over nine months.

On December 18, 2007, JJB announced its purchase of Company A for £5 million (approximately \$8 million). JJB failed to disclose that in addition to that purchase price it had also paid approximately £10 million (approximately \$16 million) for in-store stock.

In a second announcement, on May 22, 2008, JJB disclosed a £1 purchase consideration paid for Company B. JJB failed to disclose that it had also agreed to pay off Company B's overdraft of £6.47 million (approximately \$10 million).

At the relevant time, the cash positions of listed companies were the subject of increasing investor focus, and JJB's failure to give proper disclosure about the purchase price of the two companies gave a false impression of the costs of the two acquisitions and their impact on JJB.

The FSA found that the true costs of the two acquisitions were not disclosed until the publication of JJB's 2008 Interim Results on September 26, 2008. On that day, JJB's share price fell by 49.5%.

In fixing the amount of JJB's penalty, the FSA took into account JJB's cooperation, and the fact that since the date of the non-disclosure both the executive board and the non-executive directors had been replaced.

As JJB agreed to settle at an early stage, it had qualified for a reduction of the original fine of £650,000 (approximately \$1 million) by 30%. The fine imposed on JJB is the second largest ever imposed by the FSA on a company for breach of the Disclosure and Transparency and Listing Rules.

To read the FSA's final notice to JJB, click [here](#).