

ALEXON GROUP PLC
(“Alexon” or “the Company”)
Half year results for the 26 weeks ended 1 August 2009

Alexon Group plc, the ladies clothing retailer that owns six womenswear brands, announces its results for the 26 weeks ended 1 August 2009.

Financial highlights

- Turnover down 11% at £77.7m (2008: £87.0m), like-for-like sales down 12.6%
- Gross margin down 1.9%
- Profit before tax and exceptional items of £0.9m (2008: £6.9m)
- Loss before tax of £8.1m (2008: profit of £6.9m) including exceptional items of £9.0m
- Total profit for the period, after tax, exceptional items and discontinued operations of £4.5 million (2008: profit of £3.2 million)
- Loss per share from continuing operations of 13.2p (2008: earnings per share of 10.7p)
- Earnings per share from total operations of 10.1p (2008: earnings per share of 7.2p)
- Net debt of £1.4m (31 January 2009: cash of £5.3m) after a net cash out flow of £6.7m, of which £4.1m arose from discontinued operations
- No interim dividend is proposed to conserve cash (2008: 1.0 pence per share)

Strategic and operational highlights

- Short term actions completed
 - Further strengthening of the management team and operational structures
 - Improved buying and minimised excess aged stock
 - Clearer direction on brand and product design
- Good progress on medium term priorities
 - New brand identities developed for Ann Harvey, Kaliko, Alexon and Minuet
 - 24 concession outlet refits completed in House of Fraser stores
 - New Ann Harvey store format launched on Oxford Street
 - Successfully driving multi channel routes to market
 - New product initiatives launched
- In line with the current economic climate cash management, capital expenditure, working capital and operating costs continue to be rigorously monitored and controlled

Commenting on the results, Jane McNally, Chief Executive, said:

“The first half has been difficult for Alexon but we have delivered results in line with expectations. The groundwork is being put in place by the new executive team to support a sustained revitalisation of our established brand portfolio in the medium term.

Trading since the half year has been challenging. This is mainly as a result of our planned strategy to have less sale activity and partly due to the tough retail environment. This backdrop of non-comparable intense sale activity last year has resulted in like for like sales being lower than the first half. However, we believe that overall performance is stabilising and is being aided by additional benefits of some of our recent initiatives including the new store and concession refits as well as increased space. There have also been some encouraging early signs from within the new Autumn/Winter ranges, particularly for those brands whose turnaround is more advanced.

We remain fully confident that the Alexon brands are uniquely positioned to capture a broad customer base in a growing sector. As such there is great potential for future profit growth.”

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Overview

The first half has remained challenging for Alexon but the intense focus on restructuring since Jane McNally's appointment last year has continued. It will take time for the turnaround to be achieved in this environment but the Board remains confident that there are sound foundations for future growth over the medium and long term.

Alexon has delivered results in line with expectations and has achieved this despite the tough retail environment, the recent administration of Bay Trading and being in the initial stages of a turnaround plan. Pre-tax profit from continuing operations, before exceptional items, for the 26 weeks ended 1 August 2009 was £0.9 million (2008: £6.9 million). The total profit for the period, after tax, exceptional items and discontinued operations, was £4.5 million (2008: profit of £3.2 million). Sales were 11% lower than the prior year with like-for-like sales down 12.6%, with gross margins down 1.9 % on the prior year. Earnings per share from total operations was 10.1p (2008: earnings per share of 7.2p) and no interim dividend is proposed (2008: 1.0 pence per share).

As indicated in our June 2009 Interim Management Statement, trading performance and margins were impacted in the short term as Summer 2009 sale dates were brought forward in line with our key competitors. Dash performed well in the first half recording positive like for like sales growth while Eastex remained consistent and performed in line with the market. Alex & Co, Minuet, Kaliko and Ann Harvey cleared the Spring 2009 legacy ranges well albeit at some cost to margin.

Overall concession outlet numbers grew by 14 in the half to 1,017 helped by openings on Dash and Eastex. Lease hold shops traded in the half increased by five to 85 shops due to the re-opening of leases returning to the group as a result of the Administration of Bay Trading. Liability for a further 30 leases remains and these will be disposed of or re-opened under Alexon formats as appropriate.

Bay Trading

On the 24 April 2009 we announced that we were undergoing a restructuring of the Group and that Deloitte LLP had been appointed as administrators to Epcoscan Limited, Alexon's subsidiary which traded as Bay Trading.

This was a source of great regret but the withdrawal of supplier credit insurance coupled with extremely difficult market conditions gave the Board no real alternative in order to secure the future of the wider Group. Clear communication of our long-term strategy has resulted in a very supportive approach from suppliers who have largely returned to normal trading terms.

In addition there are no issues with host department stores as a consequence of the administration. It is anticipated that £1.3m will be received in the second half of the financial year from amounts secured against the assets of Bay Trading. £1m of this is in repayment of the 30 April 2009 payroll paid by Alexon to Bay Trading employees immediately following the appointment of the administrator on 27 April 2009, in order to facilitate a sale of the business.

Bay Trading was, operationally, largely stand alone from Alexon. The few areas of operational overlap have been dealt with successfully. On the returning of leases there has been an orderly process with appropriate fascias being identified and the re-opening programme underway. The Group has a liability for 33 ex Bay Trading leases with an average lease length of four years. Of the 33 leases, nine will re-open under Alexon Brands fascias this year, five are due to expire within 12 months and two have been assigned to new tenants. Options for the remaining leases are currently under consideration.

Update on strategy

Since the arrival of Jane McNally as Chief Executive Officer in June 2008 a detailed review of the business has been undertaken. Jane identified a number of issues within the business, in particular: a weakened brand identity in four of the six brands; an operational structure and legacy leases that are not aligned to the forward strategy; a lack of investment and best practice in many areas; and a depleted management team in an increasingly competitive market.

However, the Board believes there is an exciting opportunity to build on the strong heritage of the Alexon Brands; improving the benefits of a diversified brand portfolio, exploiting a growing demographic audience across the portfolio and capitalising on a solid model with low fixed costs.

Priorities for the business have been split into immediate, medium term and longer term. These are:

Immediate – strengthen the management team and operational structures; improve buying and minimise excess aged stock; and clearer direction on brand and product design.

Medium term – new branding and product development for key brands; communicate change to customers; enhance multi-channel opportunities including on-line sales channels; drive more business through host stores; reduce costs and put property portfolio on a sound footing; and review and upgrade management information systems.

Long term – revive all brands to growth and profitability; sustainable re-fit programme; and reposition and enhance stand-alone store portfolio.

As stated in the 2009 Annual Report, the immediate priorities have largely been completed. There has been continued action on these such as strengthening the teams across the business, improving staff scheduling and changing the business culture.

In addition there has been good progress on the medium term priorities. New brand identities have been identified for Ann Harvey, Kaliko, Alexon and Minuet; we have completed 24 concession outlet refits in House of Fraser stores; we have launched a new Ann Harvey store format with a flagship one in Oxford Street store opening; we are successfully driving multi channel routes to market; and there is a renewed focus on new product initiatives. Dash performed well in the first half recording positive like for like sales growth while Eastex remained consistent and performed in line with the market.

Balance Sheet

The group ended the half with net debt of £1.4m (31 January 2009: cash of £5.3m) after a net cash out flow of £4.1m relating to discontinued activities, principally connected with Bay Trading and the subsequent administration. It is anticipated that £1.3m will be received in the second half of the financial year from amounts secured against the assets of Bay Trading.

Stock levels for the Alexon Brands were 8% below the prior year at the period end, with residual stocks being successfully cleared. Capital expenditure in the first half was £0.7m, mainly concession openings and refits of shops returning under guarantee.

In line with the current economic climate capital expenditure, working capital and operating costs continue to be rigorously monitored and controlled.

Note: The consolidated balance sheet at 31 January 2009 and 26 July 2008 includes the assets and liabilities of Epcoscan Limited (t/a Bay Trading).

Dividend

The Board has decided not to declare an interim dividend to conserve cash (2008: 1p per ordinary share).

Outlets

A breakdown of outlets as at 1st August 2009 is as follows:-

	UK Shops	UK Concessions	European Concessions	Total Outlets
Open	85	880	137	1,102
Closed stores	30			30
Total	115	880	137	1,132

Principal Risks and uncertainties

The principal risks and uncertainties facing the Group over the remainder of the financial year are contained within note 16 to the financial statements.

Current Trading and Outlook

Trading since the half year has been challenging. This is mainly as a result of our planned strategy to have less sale activity and partly due to the tough retail environment. This backdrop of non-comparable intense sale activity last year has resulted in like for like sales being lower than the first half. However, we believe that overall performance is stabilising and is being aided by additional benefits of some of our recent initiatives including the new store and concession refits as well as increased space. There have also been some encouraging early signs from within the new Autumn/Winter ranges, particularly for those brands whose turnaround is more advanced.

We remain fully confident that the Alexon brands are uniquely positioned to capture a broad customer base in a growing sector. As such there is great potential for future profit growth.

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CONSOLIDATED INCOME STATEMENT

	Unaudited 26 weeks to 1 August 2009			Unaudited 26 weeks to 26 July 2008 (restated)			Audited 53 weeks to 31 January 2008 (restated)		
	Pre- exceptional items £000's	Exceptional items (see note 4) £000's	Total £000's	Pre- exceptional items £000's	Exceptional items (see note 4) £000's	Total £000's	Pre- exceptional items £000's	Exceptional items £000's	Total £000's
Revenue – continuing operations	77,681	-	77,681	87,017	-	87,017	177,593	-	177,593
Cost of sales	(70,115)	(8,257)	(78,372)	(74,343)	-	(74,343)	(152,945)	(7,463)	(160,408)
Gross profit/(loss) – continuing operations	7,566	(8,257)	(691)	12,674	-	12,674	24,648	(7,463)	17,185
Administrative expenses	(3,245)	(773)	(4,018)	(3,019)	-	(3,019)	(6,869)	(1,052)	(7,921)
Distribution costs	(3,214)	-	(3,214)	(3,046)	-	(3,046)	(7,433)	-	(7,433)
Operating profit/(loss) – continuing operations	1,107	(9,030)	(7,923)	6,609	-	6,609	10,346	(8,515)	1,831
Finance income	95	-	95	312	-	312	510	-	510
Finance expense	(295)	-	(295)	(53)	-	(53)	(85)	-	(85)
Profit/(loss) before taxation	907	(9,030)	(8,123)	6,868	-	6,868	10,771	(8,515)	2,256
Income tax (expense)/credit	(466)	2,714	2,248	(2,096)	-	(2,096)	(1,423)	1,034	(319)
Profit/(loss) for the financial period from continuing operations attributable to equity holders of the Company	441	(6,316)	(5,875)	4,772	-	4,772	9,348	(7,481)	1,867
Profit/(loss) from discontinued operations	-	10,408	10,408	-	(1,540)	(1,540)	-	(29,983)	(29,983)
Profit/(loss) for the financial period attributable to equity holders of the Company	441	4,092	4,533	4,772	(1,540)	3,232	9,348	(37,464)	(28,132)

ALEXON GROUP PLC

CONSOLIDATED INCOME STATEMENT

		Unaudited 26 weeks to 1 August 2009	Unaudited 26 weeks to 26 July 2008 (restated)	Audited 53 weeks to 31 January 2008 (restated)
(Losses)/earnings per share from continuing operations attributable to equity holders of the Company during the period				
Basic and diluted	6	(13.15)p	10.68p	4.11p
Earnings/(losses) per share from discontinued operations attributable to equity holders of the Company during the period				
Basic and diluted	6	23.29p	(3.45)p	(67.10)p
Earnings/(losses) per share from total operations attributable to equity holders of the Company during the period				
Basic and diluted	6	10.14p	7.23p	(62.99)p

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STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 26 weeks to 1 August 2009 £000's	Unaudited 26 weeks to 26 July 2008 £000's	Audited 53 weeks to 31 January 2009 £000's
Profit/(loss) for the period	4,533	3,232	(28,116)
Actuarial gain/(loss) arising in defined benefit pension scheme, net of tax	1,352	(1,057)	(2,508)
(Loss)/gain on cash flow hedges, net of tax	(4,399)	(174)	3,820
	<hr/>	<hr/>	<hr/>
Total comprehensive income/(expense) for the period attributable to equity holders of the Company	1,486	2,001	(26,804)

A statement of changes in equity can be found in note 14.

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CONSOLIDATED BALANCE SHEET

	Note	Unaudited as at 1 August 2009		Unaudited as at 26 July 2008		Audited as at 31 January 2009	
		£000's	£000's	£000's	£000's	£000's	£000's
Non-current assets							
Goodwill	7	-		11,867		-	
Property, plant and equipment	7	5,115		7,405		6,298	
Deferred tax		3,889		1,705		679	
Pension assets	9	-		304		-	
			9,004		21,281		6,977
Current assets							
Inventory		25,691		34,076		29,856	
Trade and other receivables		16,353		18,702		17,705	
Derivative financial instruments		-		48		4,809	
Current tax recoverable		-		-		581	
Cash and cash equivalents		-		5,026		5,284	
			42,044		57,852		58,235
Current liabilities							
Trade and other payables		(19,008)		(32,115)		(30,311)	
Derivative financial instruments		(1,193)		-		-	
Short term borrowings		(1,351)		(312)		-	
Current tax payable		(614)		(1,200)		-	
			(22,166)		(33,627)		(30,311)
Net current assets			19,878		24,225		27,924
Non-current liabilities							
Long term provisions	10	(20,285)		(8,514)		(25,712)	
Accruals and deferred income		(265)		(727)		(444)	
Pension liabilities	9	(2,238)		(2,405)		(4,137)	
Total non-current liabilities			(22,788)		(11,646)		(30,293)
Net assets			6,094		33,860		4,608
Equity attributable to equity holders of the Company							
Share capital	8	5,689		10,902		5,689	
Share premium	8	22,066		22,066		22,066	
Capital redemption reserve		20,215		15,002		20,215	
Cash flow hedge reserve		(594)		(32)		5,515	
Retained earnings		(41,282)		(14,078)		(48,877)	
Total equity	14		6,094		33,860		4,608

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CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited 26 weeks to 1 August 2009		Unaudited 26 weeks to 26 July 2008 (restated)		Audited 53 weeks to 31 January 2009 (restated)	
		£000's	£000's	£000's	£000's	£000's	£000's
Cash flow from operating activities							
Cash (used)/generated from continuing operations	13	(4,273)		4,143		12,850	
Interest received (continuing operations)		95		316		498	
Interest paid (continuing operations)		(22)		(34)		(56)	
Tax received (continuing operations)		1,741		1,887		873	
Cash used in discontinued operations	13	(4,025)		(2,653)		(7,104)	
Net cash generated from operating activities			(6,484)		3,659		7,061
Investing activities							
Disposal of subsidiary undertaking		623		(586)		(1,601)	
Purchase of property, plant and equipment (continuing operations)		(708)		(613)		(1,420)	
Purchase of property, plant and equipment (discontinued operations)		(99)		(425)		(1,008)	
Proceeds/(costs) of disposals of property, plant and equipment (continuing operations)		33		(46)		32	
Proceeds/(costs) of disposals of property, plant and equipment (discontinued operations)		-		12		(46)	
Net cash used in investing activities			(151)		(1,658)		(4,043)
Financing activities							
Costs arising from the issue of shares		-		(123)		(123)	
Dividends paid to Company's shareholders		-		(2,681)		(3,128)	
Net cash used in financing activities			-		(2,804)		(3,251)
Net decrease in cash and cash equivalents			(6,635)		(803)		(233)
Cash and cash equivalents at the beginning of the period		5,284		5,517		5,517	
Cash and cash equivalents at the end of the period		(1,351)		4,714		5,284	
Included in cash and cash equivalents on the balance sheet		-		5,026		5,284	
Included in short term borrowings on the balance sheet		(1,351)		(312)		-	
		(1,351)		4,714		5,284	

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Notes to condensed consolidated half yearly financial information.

1 General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 40-48 Guildford Street, Luton, LU1 2PB.

The Company has its primary listing on the London Stock Exchange.

This condensed consolidated financial information for the 26 weeks to 1 August 2009 was approved for issue on 29 September 2009.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the 53 weeks ended 31 January 2009 were approved by the Board of Directors on 29 May 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, containing an emphasis of matter paragraph concerning the placing into administration subsequent to the year end of the Group's material subsidiary undertaking, Epcoscan Limited, which operated the Bay Trading business and did not contain any statement under Section 237 of the Companies Act 1985.

2 Basis of preparation

This condensed consolidated financial information for the 26 weeks ended 1 August 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated financial report should be read in conjunction with the annual financial statements for the 53 weeks ended 31 January 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

On 24 April 2009 the Group withdrew financial support from its wholly owned subsidiary undertaking, Epcoscan Limited, which operated the Bay Trading business, in response to being notified that credit insurance was being withdrawn from all the Group's suppliers. Epcoscan Limited was subsequently placed into administration on 27 April 2009, with Deloitte LLP appointed as administrators. The Group ceased to control Epcoscan Limited from that date.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the 53 weeks ended 31 January 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Restatement of prior year information

In accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations', comparative information for the 26 weeks to 26 July 2008 and the 53 weeks to 31 January 2009 relating to discontinued operations has been restated in the income statement and statement of cash flows.

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Notes to condensed consolidated half yearly financial information.

4 Exceptional Items

Continuing operations

The following exceptional costs were incurred by the Group during the period in relation to continuing operations.

	26 weeks to 1 August 2009
	£000's
Provision for onerous lease commitments (see note 10)	8,257
Costs arising from the administration of Epcoscan Limited	773
	<u>9,030</u>

As a result of Epcoscan Limited being placed into administration, a number of leases returned to the Group under lease guarantee arrangements. These leases are considered to be onerous and consequently an increase of £6.3 million has been recorded in the onerous lease provision.

Onerous lease provisions are made in respect of those leases which are considered onerous on the basis that the stores to which they relate are expected to generate net cash outflows over the remaining lease term. The provision is calculated as the lower of the estimated cost of exiting the lease and the cumulative losses expected to be incurred over the remainder of the lease term, unless it is considered highly unlikely that the lease could be terminated for a one-off payment in which case the provision is based on estimated future losses. The provision in respect of existing leases has been re-assessed at 1 August and this has resulted in an increase in the provision of £2 million and a corresponding charge to the income statement.

Discontinued operations

The profit/(loss) for the period included in discontinued operations is analysed below:

	26 weeks to 1 August 2009	26 weeks to 26 July 2008
	£000's	£000's
Operating loss		
Revenue	12,339	36,102
Expenses	(17,223)	(37,476)
Operating loss	(4,884)	(1,374)
Net finance income	2	-
Loss before taxation	(4,882)	(1,374)
Tax on operating loss	-	420
Loss after taxation	(4,882)	(954)
Profit/(loss) on disposal		
Net liabilities of subsidiary company disposed	13,990	-
Proceeds/(costs) of disposal	1,300	(586)
Total profit/(loss) from discontinued operations	<u>10,408</u>	<u>(1,540)</u>

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Notes to condensed consolidated half yearly financial information.

5 Segmental information

Since the administration of Epcoscan Limited on 27 April 2009 the Group has only one continuing business segment, Alexon Brands, and therefore no segmental information is given.

6 Earnings per share

Continuing operations

The calculation of basic earnings per ordinary share is based on losses from continuing operations of £5,875,000 (2008: profits of £4,772,000) and on 44,686,680 ordinary shares (2008: 44,686,680) being the weighted average number of ordinary shares in issue.

	<u>26 weeks to 1 August 2009</u>			<u>26 weeks to 26 July 2008 (restated)</u>		
	Losses (£)	Weighted average number of shares	Per share pence	Earnings (£)	Weighted average number of shares	Per share pence
Basic (losses)/earnings	(5,875,000)	44,686,680	(13.15)	4,772,000	44,686,680	10.68

Discontinued operations

The calculation of basic earnings per ordinary share is based on profits from discontinued operations of £10,408,000 (2008: losses of £1,540,000) and on 44,686,680 (2008: 44,686,680) ordinary shares being the weighted average number of ordinary shares in issue.

	<u>26 weeks to 1 August 2009</u>			<u>26 weeks to 26 July 2008 (restated)</u>		
	Earnings (£)	Weighted average number of shares	Per share pence	Losses (£)	Weighted average number of shares	Per share pence
Basic earnings/(losses)	10,408,000	44,686,680	23.29	(1,540,000)	44,686,680	(3.45)

Total operations

The calculation of basic earnings per ordinary share is based on profits from total operations of £4,533,000 (2008: £3,232,000) and on 44,686,680 (2008: 44,686,680) ordinary shares being the weighted average number of ordinary shares in issue.

	<u>26 weeks to 1 August 2009</u>			<u>26 weeks to 26 July 2008</u>		
	Earnings (£)	Weighted average number of shares	Per share pence	Earnings (£)	Weighted average number of shares	Per share pence
Basic earnings	4,533,000	44,686,680	10.14	3,232,000	44,686,680	7.23

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Notes to condensed consolidated half yearly financial information.

7 Property, plant and equipment and goodwill

	Property, plant and equipment £000's	Goodwill £000's
26 weeks ended 1 August 2009		
Opening net book amount 31 January 2009	6,298	-
Additions	807	-
Disposals	(64)	-
Disposal of subsidiary undertaking	(1,161)	-
Depreciation, amortisation, impairment and other movements	(765)	-
Closing net book amount 1 August 2009	<u>5,115</u>	<u>-</u>
26 weeks ended 26 July 2008		
Opening net book amount 26 January 2008	7,419	11,867
Additions	1,038	-
Disposals	(44)	-
Depreciation, amortisation, impairment and other movements	(1,008)	-
Closing net book amount 26 July 2008	<u>7,405</u>	<u>11,867</u>

8 Share capital

	Ordinary 12.5p shares		Deferred 10p shares		Deferred 30p shares		Share premium
	No of shares	£000's	No of shares	£000's	No of shares	£000's	£000's
Opening balance at 26 January 2008	45,511,768	5,689	166,086	17	17,319,778	5,196	22,189
Costs associated with the issue of redeemable preference shares	-	-	-	-	-	-	(123)
At 26 July 2008	<u>45,511,768</u>	<u>5,689</u>	<u>166,086</u>	<u>17</u>	<u>17,319,778</u>	<u>5,196</u>	<u>22,066</u>
Balance at 31 January 2009 and 1 August 2009	<u>45,511,768</u>	<u>5,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,066</u>

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Notes to condensed consolidated half yearly financial information.

9 Retirement benefit plans

The amounts recognised in the income statement were as follows:

	26 weeks to 1 August 2009	26 weeks to 26 July 2008
	£000's	£000's
Current service cost	(120)	(257)
Interest cost	(1,016)	(1,304)
Expected return on plan assets	774	1,300
	<u>(362)</u>	<u>(261)</u>

The amounts recognised in the balance sheet were as follows:

	As at 1 August 2009	As at 26 July 2008
	£000's	£000's
Present value of scheme liabilities	(30,673)	(43,428)
Fair value of scheme assets	28,435	41,327
	<u>(2,238)</u>	<u>(2,101)</u>

Liability in the balance sheet

10 Provision for liabilities and charges

26 weeks ended 1 August 2009	Property provisions
Opening net book amount at 31 January 2009	25,712
Charged to the income statement	8,257
Disposal of subsidiary undertaking	(12,792)
Utilised during the period	(892)
Closing net book amount at 1 August 2009	<u>20,285</u>

26 weeks ended 26 July 2008	£000's
Opening net book amount at 26 January 2008	11,478
Credited to the income statement	(144)
Utilised during the period	(2,820)
Closing net book amount at 26 July 2008	<u>8,514</u>

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Notes to condensed consolidated half yearly financial information.

11 Income taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. It is anticipated that the Group will make a pre-tax loss, after exceptional items for the 52 weeks ending 30 January 2010. The tax credit recognised in the income statement in these financial statements reflects the establishment of a deferred tax asset in respect of the losses incurred to 1 August 2009. These losses are expected to be utilised against profits arising after 1 August 2009.

12 Dividends

No dividends were paid in the period (2008: 6p, amounting to £2,681,000) in respect of the 53 weeks ending 31 January 2009.

The board has decided not to declare an interim dividend in respect of the 52 weeks ending 30 January 2010.

13 Reconciliation of operating profit to net cash inflow from operating activities

	26 weeks to 1 August 2009	26 weeks to 26 July 2008 (restated)	53 weeks to 31 January 2009 (restated)
	£000's	£000's	£000's
Cash generated from continuing operations:			
Operating (loss)/profit – continuing operations	(7,923)	6,609	1,831
Adjustments for:			
Depreciation	552	591	1,196
Impairment of property, plant and equipment	-	-	506
Loss on disposal of property, plant and equipment	31	19	87
Net adjustment in respect of retirement benefit obligations	(263)	(218)	(218)
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(3,158)	1,294	2,546
Decrease in inventories	1,226	960	1,893
Decrease in trade and other payables	(2,070)	(2,022)	(1,218)
Increase/(decrease) in long term provisions, accruals and deferred income	7,332	(3,090)	6,227
Cash (used)/generated from continuing operations	(4,273)	4,143	12,850

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Notes to condensed consolidated half yearly financial information.

13 Reconciliation of operating profit to net cash inflow from operating activities (continued)

	26 weeks to 1 August 2009 £000's	26 weeks to 26 July 2008 (restated) £000's	53 weeks to 31 January 2009 (restated) £000's
Cash used in discontinued operations:			
Operating loss – discontinued operations	(4,884)	(1,374)	(29,960)
Adjustments for:			
Depreciation	213	417	845
Impairment of property, plant and equipment	-	-	759
Impairment of goodwill	-	-	11,867
Loss on disposal of property, plant and equipment	-	59	170
Changes in working capital:			
Decrease/(increase) in trade and other receivables	1,578	(448)	312
(Increase)/decrease in inventories	(2,107)	(1,713)	1,574
Increase/(decrease) in trade and other payables	1,173	406	(1,389)
Increase in long term provisions, accruals and deferred income	-	-	8,698
Cash used in discontinued operations	(4,027)	(2,653)	(7,124)
Interest received	3	-	11
Interest paid	(1)	-	(25)
Tax received	-	-	34
Cash flows from operating activities – discontinued operations	(4,025)	(2,653)	(7,104)

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Notes to condensed consolidated half yearly financial information.

14 Statement of changes in equity

	26 weeks to 1 August 2009	26 weeks to 26 July 2008	53 weeks to 31 January 2009
	£000's	£000's	£000's
Profit/(loss) attributable to equity shareholders	4,533	3,232	(28,116)
Dividends paid to Company's shareholders	-	(2,681)	(3,128)
Actuarial gain/(loss) arising in defined benefit pension scheme	1,878	(1,468)	(3,483)
Tax on items taken directly to equity	1,184	479	(510)
(Losses)/gains on cash flow hedges	(6,109)	(242)	5,305
Costs associated with the issue of redeemable preference shares	-	(123)	(123)
	<hr/> 1,486	<hr/> (803)	<hr/> (30,055)
Increase/(decrease) in total equity			
Total equity at the beginning of the period	4,608	34,663	34,663
	<hr/> 6,094	<hr/> 33,860	<hr/> 4,608
Total equity at the end of the period			

The loss on cash flow hedges in the period of £6.1 million represents the movement between the unrealised gain of £5.5 million recorded at 31 January 2009 and the unrealised loss at 1 August 2009 of £0.6 million. The unrealised gain or loss at each balance sheet date arises from the comparison of the average exchange rate of outstanding forward currency contracts with the prevailing exchange rate at the time of measurement.

15 Related party transactions

There are no related party transactions for the 26 weeks to 1 August 2009.

16 Principal risks and uncertainties

The Group is exposed to the risks of the economic downturn in the UK which has led to reduced consumer demand and reduced income.

The UK high street is a highly competitive environment and the Group also faces competition from the increasing popularity of purchasing via the internet.

The success of the Group is dependent on its ability to provide quality designs and fashions and to anticipate and respond to changing consumer taste and fashion trends. Product design and selection is therefore key to retaining market share and generating revenue, particularly in periods in which consumer confidence is negatively affected.

The Group has a number of short leasehold premises which are subject to regular rent reviews. Significant increases in rents could affect the economic viability of individual units.

The Group meets its day to day working capital requirements through an overdraft facility which is repayable on demand and is renewable on 31 May 2010. The Group's forecasts and projections show that the Group will be able to operate within the facility for the foreseeable future subject to meeting management forecasts and subject to the risks and uncertainties listed above.

ALEXON GROUP PLC

Notes to condensed consolidated half yearly financial information.

Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- i. an indication of important events that have occurred during the first 26 weeks and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial period; and
- ii. material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

The directors of Alexon Group plc are listed in the 2009 Annual Report.

By order of the Board

J. McNally
Chief Executive

R. Piggott
Group Finance Director and Company Secretary