

**ALEXON GROUP PLC**

# **ALEXON**

**Alexon Group plc Interim Results  
for the 26 weeks to 31 July 2010**

# ALEXON GROUP PLC

## (“Alexon” or “the Company” or “the Group”) Half year results for the 26 weeks ended 31 July 2010

Alexon Group plc announces its half year results for the 26 weeks ended 31 July 2010, demonstrating continued progress with the turnaround strategy.

### Financial summary

- Gross turnover down 9% with like-for-like sales down 5.5%
- Profit before tax and exceptional items on continuing operations of £0.95m (2009: £0.9m)
- Earnings per share from continuing operations after exceptional items of 0.8p (2009: loss of 13.15p)
- No net debt as at 31 July 2010 (2009: net debt of £1.4m)
- No interim dividend is proposed to conserve cash for further investment (2009: nil)

### Current trading

- Trading since the half year has been encouraging with a like-for-like sales increase of 3.1% for the first 7 weeks of the second half, with some margin improvement

### Strategic and operational highlights

- Continued progress with turnaround strategy
- Successful Refinancing and Capital Raising announced in March 2010
- Good progress on key priorities identified at the time of the Capital Raising
  - First phase of property portfolio reorganisation complete
  - Further progress made with turnaround of brand and product design
  - Online sales up 130% year on year
  - First batch of store and concession refits complete
    - 40 concession outlet refits completed
    - 50 new concessions opened in the first half, with 80 further confirmed openings (62 in the second half)
- Further strengthening of the management team and operational structures
- Continued rigorous control of costs and focus on cash management

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

“We are pleased to have returned to operating profit in the first half of the year despite trading being impacted by a challenging market and restricted stock levels. Following our successful Capital Raising in March, we made good progress with the reorganisation of our property portfolio. We also began the necessary investment in our internal systems and infrastructure, including website development and a new logistics system as well as the continuation of our outlet refurbishment programme.

Trading since the half year has been encouraging. The Autumn/Winter ranges have been well received and are selling strongly across all the brands, resulting in a like-for-like sales increase of 3.1% for the first 7 weeks to 18 September 2010 with some margin improvement, reflecting a particularly strong recovery from Kaliko and Ann Harvey.

Despite the improved performance since the half year, we remain cautious about the second half given the uncertainty over the impact of planned government cuts and the expectation that the economic climate will remain tough for the immediate future. The Alexon brands are, however, uniquely positioned to capture a broad customer base in a growing sector. As such, we remain confident that there is great potential for future profit growth.”

### Enquiries:

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## Overview

Despite the tough retail environment, Alexon delivered pre-tax profit from continuing operations, before exceptional items, for the 26 weeks ended 31 July 2010 of £0.95 million (2009: £0.9 million). Gross sales were 9% lower than the prior year, with like-for-like sales down 5.5% and gross margins down 1.9 % on the prior year. Earnings per share from continuing operations after exceptional items was 0.8p (2009: loss per share of 13.15p). No interim dividend is proposed (2009: nil).

Tight working capital control prior to the Group's refinancing in March 2010 resulted in significantly tighter stocks during the period. This, coupled with the loss of high summer stock due to external disruptions such as air transportation issues, led to lower sales during the period. Kaliko continued to improve throughout the period, returning to weekly positive like-for-like growth by the end of the half. Dash performed well, recording positive growth as new openings added to its store portfolio. Eastex suffered a small like-for-like decline as the core customer reacted cautiously during the period of the election and emergency budget, but its performance improved towards the end of the half with the pre-Autumn/Winter season. Minuet and Ann Harvey continued their improvement, although the Ann Harvey Spring Summer range was disproportionately affected by the external supply disruptions. Alex & Co continued to be the poorest performer within the portfolio.

## Update on strategy

Following the Capital Raising and refinancing in March 2010, good progress has been made to accelerate the Group's turnaround strategy.

### *Property Portfolio Reorganisation*

Of the £18.2 million raised at the Capital Raising, approximately £10 million was allocated to satisfy the consideration payable for the Property Portfolio Reorganisation, which has progressed well. The portfolio has now been reshaped and the Group now operates from 63 standalone stores. As well as the agreed surrenders, four further properties have been returned to landlords and two leases have been sold. Two leases have also been restructured. The restructuring has to date cost £7.1m and generated annual cash cost savings of £5.7m. Further work is underway to ensure that all remaining stores are profitable and further lease disposals are planned where appropriate.

The expansion of the business through new concession openings has continued strongly and the business has secured over 100 new outlets since the start of the year. Of these, 50 were opened by the end of the first half and a further 62 are scheduled to be opened before the end of the year.

Whilst the new openings will not fully replace lost turnover in the current financial year from the closures notified to the Group prior to the refinancing, the projected full year turnover from these new concessions will more than compensate for the closures on an annualised basis.

### *Logistics & Systems*

The streamlining of the logistics function to improve efficiency commenced with the closure of the Group's freehold Cardiff warehouse at the end of August 2010, with its operation being moved into spare capacity in the Sywell warehouse. The replacement warehouse management system is under development and on track for completion in the first quarter of 2011. Our new store communications system is also under development and due to be completed in the first half of 2011. Following the successful implementation of these two new systems across the Group, work on the replacement merchandising system will commence, with an expected completion date of January 2013.

### *Concession/store re-fits*

New brand identities have been developed for Dash and Eastex, the only two brands yet to be revamped, with pilot stores now open in Bath and Marlborough and concessions in Newcastle and Newton Abbott. An evolution of the Kaliko re-brand is underway in the Henley store and is due to be complete by the end of September 2010. The performance of these new identities is being monitored for potential roll out. This now completes the reinvigoration of all brands in the Alexon portfolio. The refit of concessions continues, with a further 40 refits completed in the half, which will drive important linear density and improved brand image.

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## *New store openings*

As announced at the time of the Capital Raising, we have adopted a rigorous and disciplined approach to new store openings. We continue to closely monitor and evaluate opportunities for new store openings and will not open a new store unless the payback period on the capital investment required is less than 36 months.

## *Online*

The Group now operates websites for all of its six own brands. All brands also now feature on the House of Fraser and Debenhams websites, with Kaliko available on the John Lewis website. The Group has also opened a stock clearance site on eBay at the end of the half. Total sales through the web channel are up 130% year on year. The development of our online offer will be further assisted by the appointment of an e-commerce director which we hope to announce in due course. .

## **Management**

The Group has further strengthened its management team and recently made two key senior appointments. Kevin Keaney joined the Group in September 2010 in the newly created role of Commercial Director. Kevin, who joined from Animal where he was most recently Chief Executive Officer, has a wealth of experience in the retail sector, having worked at Marks & Spencer, Somerfield and J Sainsbury, and will be taking responsibility for implementing Alexon's operational initiatives to help facilitate the turnaround. Kirstie Watson also joined the group in September as HR Director. Prior to working as a freelance HR consultant providing strategic and operational HR advice to leading fashion organisations including the British Fashion Council, Aurora , Mosaic, and Mint Velvet, Kirstie was group HRD for the Rubicon Group.

The Group also welcomed Avril Palmer-Baunack and David Adams as Non-Executive Directors in July and September 2010 respectively. Currently CEO of Autologic, Avril has over 20 years of commercial experience in turnarounds and pioneering e-commerce activity. David has been involved at an executive level in the retail sector for many years, he is currently Chairman of Jessops, and was formerly Deputy CEO and Group Finance Director at House of Fraser. Both Avril and David are excellent additions to the Alexon Board and we are delighted to welcome them to the team.

## **Balance Sheet and cash flow**

Stock levels were 2.6% higher than at the same point last year, as a result of accelerating the Autumn/Winter stock into the business. Spring/Summer terminal stock was 12% below the prior year at the period end. Creditors were significantly reduced from the year end level due to the repayment of the overdraft, and the utilisation of £10m of the onerous lease provision to exit onerous leases and offset losses on the remaining loss making stores.

The Group ended the half with a neutral cash position (30 January 2010: net debt of £9m). The cash inflow from the refinancing of £18.2m was offset in the period repaying the opening overdraft of £9m, with £7.1m paid to landlords to exit onerous leases, capital expenditure of £0.8m and an operating cash outflow of £1.4m.

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

## **Dividend**

The Board has decided not to declare an interim dividend to conserve cash for further investment (2009: nil).

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## Outlets

A breakdown of the Group's outlets as at 31 July 2010 is as follows:-

|                           | UK Shops  | UK Concessions | European Concessions | Total       |
|---------------------------|-----------|----------------|----------------------|-------------|
| Eastex                    | 0         | 250            | 27                   | 277         |
| Dash                      | 11        | 181            | 21                   | 213         |
| Ann Harvey*               | 47        | 52             | 29                   | 128         |
| Minuet                    | 0         | 109            | 22                   | 131         |
| Alexon                    | 1         | 127            | 24                   | 152         |
| Kaliko                    | 11        | 113            | 27                   | 152         |
| Clearance-"Stock Trading" | 9         | 11             | 1                    | 20          |
| WEB                       | 6         | 13             | 0                    | 19          |
| <b>Total</b>              | <b>85</b> | <b>856</b>     | <b>151</b>           | <b>1092</b> |

\*16 stores on temporary leases at zero rent

## Principal Risks and uncertainties

The principal risks and uncertainties facing the Group over the remainder of the financial year are contained within note 15 to the financial statements.

## Current Trading and Outlook

Trading since the half year has been encouraging, with some margin improvement. The Autumn/Winter ranges have been well received and are selling well across all the brands, resulting in a like-for-like sales increase of 3.1% for the first 7 weeks to 18 September 2010. The Group has seen a particularly strong recovery from Kaliko and Ann Harvey.

Despite the improved performance since the half year, we remain cautious about the second half given the uncertainty over the impact of planned government cuts and the expectation that the economic climate will remain tough for the remainder of the year. The Alexon brands are uniquely positioned to capture a broad customer base in a growing sector. As such, we remain confident on medium and long term prospects.

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## CONSOLIDATED INCOME STATEMENT

|  | Unaudited 26 weeks to 31 July 2010 |                                      |                 | Unaudited 26 weeks to 1 August 2009 |                                      |          | Audited 52 weeks to 30 January 2010 |                      |           |
|--|------------------------------------|--------------------------------------|-----------------|-------------------------------------|--------------------------------------|----------|-------------------------------------|----------------------|-----------|
|  | Pre-<br>exceptional<br>items       | Exceptional<br>items (see<br>note 4) | Total           | Pre-<br>exceptional<br>items        | Exceptional<br>items (see<br>note 4) | Total    | Pre-<br>exceptional<br>items        | Exceptional<br>items | Total     |
|  | £000's                             | £000's                               | £000's          | £000's                              | £000's                               | £000's   | £000's                              | £000's               | £000's    |
| <b>Revenue – continuing operations</b>   | <b>69,667</b>                      | -                                    | <b>69,667</b>   | 77,681                              | -                                    | 77,681   | 153,382                             | -                    | 153,382   |
| Cost of sales  | <b>(62,224)</b>                    | -                                    | <b>(62,224)</b> | (70,115)                            | (8,257)                              | (78,372) | (139,333)                           | (12,964)             | (152,297) |
| <b>Gross profit/(loss) – continuing operations</b>   | <b>7,443</b>                       | -                                    | <b>7,443</b>    | 7,566                               | (8,257)                              | (691)    | 14,049                              | (12,964)             | 1,085     |
| Administrative expenses  | <b>(2,964)</b>                     | -                                    | <b>(2,964)</b>  | (3,245)                             | (773)                                | (4,018)  | (7,311)                             | (395)                | (7,706)   |
| Distribution costs   | <b>(3,278)</b>                     | -                                    | <b>(3,278)</b>  | (3,214)                             | -                                    | (3,214)  | (7,102)                             | -                    | (7,102)   |
| <b>Operating profit/(loss) – continuing operations</b>   | <b>1,201</b>                       | -                                    | <b>1,201</b>    | 1,107                               | (9,030)                              | (7,923)  | (364)                               | (13,359)             | (13,723)  |
| Finance income   | <b>29</b>                          | -                                    | <b>29</b>       | 95                                  | -                                    | 95       | 96                                  | -                    | 96        |
| Finance expense  | <b>(280)</b>                       | -                                    | <b>(280)</b>    | (295)                               | -                                    | (295)    | (624)                               | -                    | (624)     |
| <b>Profit/(loss) before taxation</b>   | <b>950</b>                         | -                                    | <b>950</b>      | 907                                 | (9,030)                              | (8,123)  | (892)                               | (13,359)             | (14,251)  |
| Income tax (expense)/credit  | <b>(3)</b>                         | -                                    | <b>(3)</b>      | (466)                               | 2,714                                | 2,248    | 67                                  | -                    | 67        |
| <b>Profit/(loss) for the financial period from<br/>continuing operations attributable to equity<br/>holders of the Company</b> | <b>947</b>                         | -                                    | <b>947</b>      | 441                                 | (6,316)                              | (5,875)  | (825)                               | (13,359)             | (14,184)  |
| (Loss)/profit from discontinued operations   | -                                  | <b>(163)</b>                         | <b>(163)</b>    | -                                   | 10,408                               | 10,408   | -                                   | 8,382                | 8,382     |
| <b>Profit/(loss) for the financial period<br/>attributable to equity holders of the Company</b>                                | <b>947</b>                         | <b>(163)</b>                         | <b>784</b>      | 441                                 | 4,092                                | 4,533    | (825)                               | (4,977)              | (5,802)   |

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## CONSOLIDATED INCOME STATEMENT

|   |          | <b>Unaudited 26 weeks to<br/>31 July 2010</b> | Unaudited 26 weeks to<br>1 August 2009 | Audited 52 weeks to<br>30 January 2010 |
|---|----------|---|--|--|
| <b>Earnings/(losses) per share from continuing operations<br/>attributable to equity holders of the Company during<br/>the period</b>           |          |   |  |  |
| <b>Basic</b>  | <b>6</b> | <b>0.80p</b>                                  | (13.15)p                               | (31.74)p                               |
| <b>Diluted</b>  | <b>6</b> | <b>0.79p</b>                                  | (13.15)p                               | (31.74)p                               |
| <br><b>(Losses)/earnings per share from<br/>discontinued operations attributable<br/>to equity holders of the Company<br/>during the period</b> |          |   |  |  |
| <b>Basic and diluted</b>  | <b>6</b> | <b>(0.13)p</b>                                | 23.29p                                 | 18.76p                                 |
| <br><b>Earnings/(losses) per share from total<br/>operations attributable to equity<br/>holders of the Company during the<br/>period</b>        |          |   |  |  |
| <b>Basic</b>  | <b>6</b> | <b>0.67p</b>                                  | 10.14p                                 | (12.98)p                               |
| <b>Diluted</b>  | <b>6</b> | <b>0.66p</b>                                  | 10.14p                                 | (12.98)p                               |

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | <b>Unaudited<br/>26 weeks to<br/>31 July 2010<br/>£000's</b> | Unaudited<br>26 weeks to<br>1 August 2009<br>£000's | Audited<br>52 weeks to<br>30 January 2010<br>£000's |
|---|--|---|---|
| Profit/(loss) for the period  | <b>784</b>   | 4,533   | (5,802)   |
| <b>Other comprehensive income:</b>  |  |   |   |
| Actuarial (loss)/gain arising in defined benefit pension scheme                                   | <b>(112)</b>   | 1,352   | 117   |
| Loss on cash flow hedges  | <b>(425)</b>   | (4,399)   | (3,635)   |
| Other comprehensive expense for the period, net of tax  | <b>(537)</b>   | (3,047)   | (3,518)   |
| Total comprehensive income/(expense) for the period attributable to equity holders of the Company | <b>247</b>   | 1,486   | (9,320)   |

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## CONSOLIDATED BALANCE SHEET

|   |      | Unaudited as at<br>31 July 2010 |                 | Unaudited as at<br>1 August 2009<br>(restated) |                 | Audited as at<br>30 January 2010 |                 |
|---|------|---------------------------------|-----------------|--|-----------------|----------------------------------|-----------------|
|   | Note | £000's                          | £000's          | £000's   | £000's          | £000's                           | £000's          |
| <b>Non-current assets</b>                                   |      |                                 |                 |  |                 |                                  |                 |
| Property, plant and equipment                               | 7    | 5,339                           |                 | 5,115  |                 | 5,116                            |                 |
| Deferred tax  |      | <u>2,552</u>                    |                 | <u>3,889</u>                                   |                 | <u>2,343</u>                     |                 |
|   |      |                                 | <u>7,891</u>    |  | <u>9,004</u>    |                                  | <u>7,459</u>    |
| <b>Current assets</b>                                       |      |                                 |                 |  |                 |                                  |                 |
| Inventory   |      | 26,354                          |                 | 25,691   |                 | 27,705                           |                 |
| Trade and other receivables                                 |      | 10,920                          |                 | 16,353   |                 | 10,917                           |                 |
| Derivative financial instruments                            |      | -                               |                 | -  |                 | 452                              |                 |
| Cash and cash equivalents                                   |      | <u>5,955</u>                    |                 | <u>632</u>                                     |                 | <u>650</u>                       |                 |
|   |      |                                 | <u>43,229</u>   |  | <u>42,676</u>   |                                  | <u>39,724</u>   |
| <b>Current liabilities</b>                                  |      |                                 |                 |  |                 |                                  |                 |
| Trade and other payables                                    |      | (17,885)                        |                 | (19,008)                                       |                 | (25,692)                         |                 |
| Derivative financial instruments                            |      | (306)                           |                 | (1,193)  |                 | -                                |                 |
| Short term borrowings                                       |      | -                               |                 | (1,983)  |                 | (9,649)                          |                 |
| Current tax payable   |      | <u>(825)</u>                    |                 | <u>(614)</u>                                   |                 | <u>(885)</u>                     |                 |
|   |      |                                 | <u>(19,016)</u> |  | <u>(22,798)</u> |                                  | <u>(36,226)</u> |
| <b>Net current assets</b>                                   |      |                                 | <u>24,213</u>   |  | <u>19,878</u>   |                                  | <u>3,498</u>    |
| <b>Non-current liabilities</b>                              |      |                                 |                 |  |                 |                                  |                 |
| Long term provisions  | 10   | (8,736)                         |                 | (20,285)                                       |                 | (12,038)                         |                 |
| Accruals and deferred income                                |      | (227)                           |                 | (265)  |                 | (227)                            |                 |
| Long term borrowings  |      | (6,000)                         |                 | -  |                 | -                                |                 |
| Pension liabilities   | 9    | <u>(3,447)</u>                  |                 | <u>(2,238)</u>                                 |                 | <u>(3,404)</u>                   |                 |
| <b>Total non-current liabilities</b>                        |      |                                 | <u>(18,410)</u> |  | <u>(22,788)</u> |                                  | <u>(15,669)</u> |
| <b>Net assets/(liabilities)</b>                             |      |                                 | <u>13,694</u>   |  | <u>6,094</u>    |                                  | <u>(4,712)</u>  |
| <b>Equity attributable to equity holders of the Company</b> |      |                                 |                 |  |                 |                                  |                 |
| Share capital   | 8    | 18,389                          |                 | 5,689  |                 | 5,689                            |                 |
| Share premium   | 8    | 19,905                          |                 | 22,066   |                 | 22,066                           |                 |
| Capital redemption reserve                                  |      | 20,215                          |                 | 20,215   |                 | 20,215                           |                 |
| Cash flow hedge reserve                                     |      | (89)                            |                 | (428)  |                 | 336                              |                 |
| Retained deficit  |      | <u>(44,726)</u>                 |                 | <u>(41,448)</u>                                |                 | <u>(53,018)</u>                  |                 |
| <b>Total equity</b>   |      |                                 | <u>13,694</u>   |  | <u>6,094</u>    |                                  | <u>(4,712)</u>  |

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## CONSOLIDATED CASH FLOW STATEMENT

|  | Note | Unaudited<br>26 weeks to<br>31 July 2010 |         | Unaudited<br>26 weeks to<br>1 August 2009 |         | Audited<br>52 weeks to<br>30 January 2010 |          |
|--|------|--|---------|---|---------|---|----------|
|  |      | £000's                                   | £000's  | £000's                                    | £000's  | £000's                                    | £000's   |
| <b>Cash flow from operating activities</b>                                     |      |  |         |   |         |   |          |
| Cash used in continuing operations   | 13   | (8,121)                                  |         | (4,273)                                   |         | (8,409)                                   |          |
| Interest received (continuing operations)                                      |      | 29                                       |         | 95  |         | 96  |          |
| Interest paid (continuing operations)  |      | (136)                                    |         | (22)                                      |         | (59)                                      |          |
| Tax received (continuing operations)   |      | -  |         | 1,741                                     |         | 2,310                                     |          |
| Tax paid (continuing operations)   |      | (63)                                     |         | -   |         | (694)                                     |          |
| Cash used in discontinued operations   | 13   | (163)                                    |         | (4,025)                                   |         | (6,100)                                   |          |
|  |      |  | (8,454) |   | (6,484) |   | (12,856) |
| <b>Investing activities</b>  |      |  |         |   |         |   |          |
| Disposal of subsidiary undertaking   |      | -  |         | 623                                       |         | 423                                       |          |
| Purchase of property, plant and equipment (continuing operations)              |      | (751)                                    |         | (708)                                     |         | (1,808)                                   |          |
| Purchase of property, plant and equipment (discontinued operations)            |      | -  |         | (99)                                      |         | (99)                                      |          |
| Proceeds of disposals of property, plant and equipment (continuing operations) |      | -  |         | 33  |         | 57  |          |
| <b>Net cash used in investing activities</b>                                   |      |  | (751)   |   | (151)   |   | (1,427)  |
| <b>Financing activities</b>  |      |  |         |   |         |   |          |
| Long term borrowings   |      | 6,000                                    |         | -   |         | -   |          |
| Issue of ordinary shares   |      | 20,320                                   |         | -   |         | -   |          |
| Costs arising from the issue of shares   |      | (2,161)                                  |         | -   |         | -   |          |
| <b>Net cash generated by financing activities</b>                              |      |  | 24,159  |   | -       |   | -        |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                    |      |  | 14,954  |   | (6,635) |   | (14,283) |
| Cash and cash equivalents at the beginning of the period                       |      |  | (8,999) |   | 5,284   |   | 5,284    |
| Cash and cash equivalents at the end of the period                             |      |  | 5,955   |   | (1,351) |   | (8,999)  |
| Included in cash and cash equivalents on the balance sheet                     |      |  | 5,955   |   | 632     |   | 650      |
| Included in short term borrowings on the balance sheet                         |      |  | -       |   | (1,983) |   | (9,649)  |
|  |      |  | 5,955   |   | (1,351) |   | (8,999)  |

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Share capital | Share premium  | Capital redemption reserve | Cash flow hedge reserve | Merger reserve | Retained earnings | Total          |
|--|---------------|----------------|----------------------------|-------------------------|----------------|-------------------|----------------|
|  | £000          | £000           | £000                       | £000                    | £000           | £000              | £000           |
| At 31 January 2009 as previously stated                              | 5,689         | 22,066         | 20,215                     | 5,515                   | -              | (48,877)          | 4,608          |
| Reclassification   | -             | -              | -                          | (1,544)                 | -              | 1,544             | -              |
| At 31 January 2009 as restated                                       | 5,689         | 22,066         | 20,215                     | 3,971                   | -              | (47,333)          | 4,608          |
| Profit for the period  | -             | -              | -                          | -                       | -              | 4,533             | 4,533          |
| <i>Other comprehensive income:</i>                                   |               |                |                            |                         |                |                   |                |
| Actuarial gain arising in defined benefit pension scheme, net of tax | -             | -              | -                          | -                       | -              | 1,352             | 1,352          |
| Loss on cash flow hedges, net of tax                                 | -             | -              | -                          | (4,399)                 | -              | -                 | (4,399)        |
| At 1 August 2009   | 5,689         | 22,066         | 20,215                     | (428)                   | -              | (41,448)          | 6,094          |
| <b>At 31 January 2010</b>  | <b>5,689</b>  | <b>22,066</b>  | <b>20,215</b>              | <b>336</b>              | <b>-</b>       | <b>(53,018)</b>   | <b>(4,712)</b> |
| <b>Profit for the period</b>   | <b>-</b>      | <b>-</b>       | <b>-</b>                   | <b>-</b>                | <b>-</b>       | <b>784</b>        | <b>784</b>     |
| <b>Issue of ordinary shares, net of transaction costs</b>            | <b>12,700</b> | <b>(2,161)</b> | <b>-</b>                   | <b>-</b>                | <b>7,620</b>   | <b>-</b>          | <b>18,159</b>  |
| <b>Transfer of merger reserve to profit and loss account</b>         | <b>-</b>      | <b>-</b>       | <b>-</b>                   | <b>-</b>                | <b>(7,620)</b> | <b>7,620</b>      | <b>-</b>       |
| <i>Other comprehensive income:</i>                                   |               |                |                            |                         |                |                   |                |
| Actuarial loss arising in defined benefit pension scheme, net of tax | -             | -              | -                          | -                       | -              | (112)             | (112)          |
| Loss on cash flow hedges, net of tax                                 | -             | -              | -                          | (425)                   | -              | -                 | (425)          |
| At 31 July 2010  | 18,389        | 19,905         | 20,215                     | (89)                    | -              | (44,726)          | 13,694         |

# ALEXON GROUP PLC

## 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 31 July 2010 was approved for issue on 22 September 2010.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 30 January 2010 were approved by the Board of Directors on 11 May 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under sections 498(2) or 498(3) of the Companies Act 2006.

### 2 Basis of preparation

This condensed consolidated financial information for the 26 weeks ended 31 July 2010 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 52 weeks ended 30 January 2010, which have been prepared in accordance with IFRSs as adopted by the European Union. These condensed consolidated financial statements are unaudited.

### 3 Accounting policies

In addition to the accounting policies described in the annual financial statements for the 52 weeks ended 30 January 2010, the Group has applied the following amendments to standards and interpretations to existing standards for the first time in producing these condensed consolidated financial statements:

- IFRS 3 (revised), 'Business combinations';
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'; and
- IFRIC 9 (Amendment), 'Reassessment of embedded derivatives'.

A full list of revised or amended standards and interpretations effective but not relevant to these condensed consolidated financial statements are contained within the annual financial statements for the 52 weeks ended 30 January 2010.

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

# ALEXON GROUP PLC

## Notes to condensed consolidated half yearly financial information

### 4 Exceptional Items

#### Continuing operations

The following exceptional costs were incurred by the Group in 2009 in relation to continuing operations.

|   | 26 weeks to<br>1 August 2009<br>£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>                           |

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 represents the lowest net unavoidable cost of a lease contract. It is calculated as either:

- the negotiated exit cost in circumstances where agreement to exit the lease has been agreed with the landlord, or
- the lower of the forecast trading loss of the lease, or lease rental cost for the remainder of the lease term.

#### Discontinued operations

On 27 April 2009 the Group placed Epcoscan Limited, which operated the Bay Trading business, into administration. The profit included in discontinued operations is analysed below:

|   | 26 weeks to<br>31 July 2010<br>£000's | 26 weeks to<br>1 August 2009<br>£000's |
|---|---------------------------------------|--|
| <b>Operating loss</b>                                   |                                       |  |
| Revenue   | -                                     | 12,339                                 |
| Expenses  | (163)                                 | (17,223)                               |
| Operating loss  | (163)                                 | (4,884)                                |
| Net finance income                                      | -                                     | 2                                      |
| Loss before taxation                                    | (163)                                 | (4,882)                                |
| Tax on operating loss                                   | -                                     | -                                      |
| Loss after taxation                                     | (163)                                 | (4,882)                                |
| Net liabilities of subsidiary company disposed          | -                                     | 13,990                                 |
| Proceeds of disposal                                    | -                                     | 1,300                                  |
| Profit on disposal                                      | -                                     | 15,290                                 |
| <b>Total (loss)/profit from discontinued operations</b> | <b>(163)</b>                          | <b>10,408</b>                          |

# ALEXON GROUP PLC

## Notes to condensed consolidated half yearly financial information

### 5 Segmental information

The Group considers that its operations comprise a single business segment as it meets the aggregation criteria included within IFRS8 on the basis that the individual clothing brands have similar economic characteristics and are similar in respect of their products, production processes, type of customer and method of distribution.

### 6 Earnings per share

#### Continuing operations

The calculation of basic earnings per ordinary share is based on profits from continuing operations of £947,000 (2009: losses of £5,875,000) and on 117,817,059 ordinary shares (2009: 44,686,680) being the weighted average number of ordinary shares in issue.

In calculating diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume the exercise of warrants to subscribe for ordinary shares which were granted as part of the Capital Raising in March 2010.

|   | <u>26 weeks to 31 July 2010</u> |                                   |                 | <u>26 weeks to 1 August 2009</u> |                                   |                 |
|---|---------------------------------|-----------------------------------|-----------------|----------------------------------|-----------------------------------|-----------------|
|   | Earnings (£)                    | Weighted average number of shares | Per share pence | Losses (£)                       | Weighted average number of shares | Per share pence |
| Basic earnings/(losses)                 | <b>947,000</b>                  | <b>117,817,059</b>                | <b>0.80</b>     | (5,875,000)                      | 44,686,680                        | (13.15)         |
| Effect of dilutive securities: warrants | -                               | <b>1,477,654</b>                  | <b>(0.01)</b>   | -                                | -                                 | -               |
| Diluted earnings/(losses)               | <b>947,000</b>                  | <b>119,294,713</b>                | <b>0.79</b>     | (5,875,000)                      | 44,686,680                        | (13.15)         |

#### Discontinued operations

The calculation of basic earnings per ordinary share is based on losses from discontinued operations of £163,000 (2009: profits of £10,408,000) and on 117,817,059 ordinary shares (2009: 44,686,680) being the weighted average number of ordinary shares in issue.

|                         | <u>26 weeks to 31 July 2010</u> |                                   |                 | <u>26 weeks to 1 August 2009</u> |                                   |                 |
|-------------------------|---------------------------------|-----------------------------------|-----------------|----------------------------------|-----------------------------------|-----------------|
|                         | Losses (£)                      | Weighted average number of shares | Per share pence | Earnings (£)                     | Weighted average number of shares | Per share pence |
| Basic (losses)/earnings | <b>(163,000)</b>                | <b>117,817,059</b>                | <b>(0.13)</b>   | 10,408,000                       | 44,686,680                        | 23.29           |

#### Total operations

The calculation of basic earnings per ordinary share is based on profits from total operations of £784,000 (2009: £4,533,000) and on 117,817,059 (2009: 44,686,680) ordinary shares being the weighted average number of ordinary shares in issue.

In calculating diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume the exercise of warrants to subscribe for ordinary shares which were granted as part of the Capital Raising in March 2010.

|   | <u>26 weeks to 31 July 2010</u> |                                   |                 | <u>26 weeks to 1 August 2009</u> |                                   |                 |
|---|---------------------------------|-----------------------------------|-----------------|----------------------------------|-----------------------------------|-----------------|
|   | Earnings (£)                    | Weighted average number of shares | Per share pence | Earnings (£)                     | Weighted average number of shares | Per share pence |
| Basic earnings                          | <b>784,000</b>                  | <b>117,817,059</b>                | <b>0.67</b>     | 4,533,000                        | 44,686,680                        | 10.14           |
| Effect of dilutive securities: warrants | -                               | <b>1,477,654</b>                  | <b>(0.01)</b>   | -                                | -                                 | -               |
| Diluted earnings                        | <b>784,000</b>                  | <b>119,294,713</b>                | <b>0.66</b>     | 4,533,000                        | 44,686,680                        | 10.14           |

# ALEXON GROUP PLC

## Notes to condensed consolidated half yearly financial information

### 7 Property, plant and equipment

|  | Property,<br>plant and<br>equipment<br>£000's |
|--|---|
| <b>26 weeks ended 31 July 2010</b>                         |   |
| <b>Opening net book amount 30 January 2010</b>             | 5,116   |
| Additions  | 751   |
| Disposals  | (31)  |
| Depreciation, amortisation, impairment and other movements | (497)   |
| <b>Closing net book amount 31 July 2010</b>                | <u>5,339</u>                                  |
| <b>26 weeks ended 1 August 2009</b>                        |   |
| 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>                                  |

### 8 Share capital

|   | Ordinary 12.5p shares     |                      | Share premium        | Merger reserve  |
|---|---------------------------|----------------------|----------------------|-----------------|
|   | No of shares              | £000's               | £000's               | £000's          |
| Balance at 31 January 2009 and 1 August 2009          | 45,511,768                | 5,689                | 22,066               | -               |
| <b>Opening balance at 30 January 2010</b>             | <b>45,511,768</b>         | <b>5,689</b>         | <b>22,066</b>        | <b>-</b>        |
| Issued in financing                                   | 101,600,985               | 12,700               | (2,161)              | 7,620           |
| Transfer of merger reserve to profit and loss account | -                         | -                    | -                    | (7,620)         |
| <b>Balance at 31 July 2010</b>                        | <u><b>147,112,753</b></u> | <u><b>18,389</b></u> | <u><b>19,905</b></u> | <u><b>-</b></u> |

The Company issued an additional 101,600,985 ordinary shares of 12.5p each on 24 March 2010 following a firm placing and open offer of new ordinary shares. The issue utilised a cash box structure and therefore qualified for merger relief under Section 612 of the Companies Act 2006. The premium of £7,620,000 arising on the share issue was initially credited to a merger reserve and subsequently transferred to the profit and loss reserve. Costs of £2,161,000 associated with the firm placing and open offer have been charged to the Company's share premium account.

# ALEXON GROUP PLC

## Notes to condensed consolidated half yearly financial information

### 9 Retirement benefit plans

The amounts recognised in the income statement were as follows:

|                                | <b>26 weeks to<br/>31 July 2010</b> | 26 weeks to<br>1 August 2009 |
|--------------------------------|-------------------------------------|------------------------------|
|                                | <b>£000's</b>                       | £000's                       |
| Current service cost           | -                                   | (120)                        |
| Interest cost                  | <b>(892)</b>                        | (1,016)                      |
| Expected return on plan assets | <b>855</b>                          | 774                          |
|                                | <b>(37)</b>                         | (362)                        |

The amounts recognised in the balance sheet were as follows:

|                                       | <b>As at<br/>31 July 2010</b> | As at<br>1 August 2009 |
|---------------------------------------|-------------------------------|------------------------|
|                                       | <b>£000's</b>                 | £000's                 |
| Present value of scheme liabilities   | <b>(32,090)</b>               | (30,673)               |
| Fair value of scheme assets           | <b>28,643</b>                 | 28,435                 |
| <b>Liability in the balance sheet</b> | <b>(3,447)</b>                | (2,238)                |

### 10 Provision for liabilities and charges

|  | Property provisions<br>£000's |
|--|-------------------------------|
| <b>26 weeks ended 31 July 2010</b>             |                               |
| Opening net book amount at 30 January 2010     | 12,038                        |
| Utilised during the period                     | (3,302)                       |
| <b>Closing net book amount at 31 July 2010</b> | <b>8,736</b>                  |

|   | £000's        |
|---|---------------|
| 26 weeks ended 1 August 2009                    |               |
| 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)         |
| <b>Closing net book amount at 1 August 2009</b> | <b>20,285</b> |

# ALEXON GROUP PLC

## 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. The Group expects to make a profit in the 52 weeks to 29 January 2011, however, any tax due will be offset against trading losses brought forward from previous years. The full year tax charge is therefore expected to be nil.

### 12 Dividends

No dividends were paid in the period (2009: nil) in respect of the 52 weeks ending 30 January 2010. The board has decided not to declare an interim dividend in respect of the 52 weeks ending 29 January 2011.

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

|   | 26 weeks to<br>31 July 2010<br>£000's | 26 weeks to<br>1 August 2009<br>£000's | 52 weeks to<br>30 January 2010<br>£000's |
|---|---------------------------------------|--|--|
| <b>Cash generated from continuing operations:</b>                         |                                       |  |  |
| Operating profit/(loss) – continuing operations                           | 1,201                                 | (7,923)                                | (13,723)                                 |
| <b>Adjustments for:</b>   |                                       |  |  |
| Depreciation  | 497                                   | 552                                    | 1,127                                    |
| Impairment of property, plant and equipment                               | -                                     | -                                      | 460                                      |
| Loss on disposal of property, plant and equipment                         | 31                                    | 31                                     | 66                                       |
| Net adjustment in respect of retirement benefit obligations               | (150)                                 | (263)                                  | (999)                                    |
| <b>Changes in working capital:</b>  |                                       |  |  |
| (Increase)/decrease in trade and other receivables                        | (3)                                   | (3,158)                                | 2,478                                    |
| Decrease/(increase) in inventories  | 1,351                                 | 1,226                                  | (788)                                    |
| (Decrease)/increase in trade and other payables                           | (7,746)                               | (2,070)                                | 3,923                                    |
| (Decrease)/increase in long term provisions, accruals and deferred income | (3,302)                               | 7,332                                  | (953)                                    |
| <b>Cash used in continuing operations</b>                                 | <b>(8,121)</b>                        | <b>(4,273)</b>                         | <b>(8,409)</b>                           |

# ALEXON GROUP PLC

## Notes to condensed consolidated half yearly financial information

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

|  | 26 weeks to<br>31 July 2010 | 26 weeks to<br>1 August 2009 | 52 weeks to<br>30 January 2010 |
|--|-----------------------------|------------------------------|--------------------------------|
|  | £000's                      | £000's                       | £000's                         |
| <b>Cash used in discontinued operations:</b>                   |                             |                              |                                |
| Operating loss – discontinued operations                       | (163)                       | (4,884)                      | (5,863)                        |
| <b>Adjustments for:</b>  |                             |                              |                                |
| Depreciation   | -                           | 213                          | 212                            |
| <b>Changes in working capital:</b>                             |                             |                              |                                |
| Decrease in trade and other receivables                        | -                           | 1,578                        | 1,546                          |
| Increase in inventories  | -                           | (2,107)                      | (1,490)                        |
| Increase/(decrease) in trade and other payables                | -                           | 1,173                        | (507)                          |
| Cash used in discontinued operations                           | <u>(163)</u>                | <u>(4,027)</u>               | <u>(6,102)</u>                 |
| Interest received  | -                           | 3                            | 3                              |
| Interest paid  | -                           | (1)                          | (1)                            |
| Cash flows from operating activities – discontinued operations | <u>(163)</u>                | <u>(4,025)</u>               | <u>(6,100)</u>                 |

# ALEXON GROUP PLC

## Notes to condensed consolidated half yearly financial information

### 14 Related party transactions

There are no related party transactions for the 26 weeks to 31 July 2010.

### 15 Principal risks and uncertainties

The Group is exposed to the risks of the prevailing economic climate and uncertain outlook 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 depends on the reputation of the Alexon brand names which are important assets of its business. Any events that negatively affect the reputation of its brand names could have a material adverse effect on the business.

The retail business is subject to seasonal peaks. If sales during its peak seasons, particularly the Christmas season, are significantly lower than forecast, it may be left with substantial unsold stock which can only be sold at reduced prices. Unseasonal weather conditions can also significantly affect sales and increase the volume of stock which must be sold at reduced prices.

The Group generates a significant proportion of its turnover from concessions within third party department stores and the loss of a significant host store relationship could have an adverse effect on the Group's business. The Group attempts to minimise the risk by maintaining regular dialogue with the host stores in relation to sales performance and planned range developments.

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 has an occupational defined benefit pension scheme which is exposed to various risks which could affect its funding obligations in the longer term. The scheme's assets are subject to the risks inherent with movements in market values of equity and bond investments. The risk attaching to the scheme's liabilities has been reduced by the decision to close the scheme to future benefit accrual from 31 July 2009 and the consequent loss of the link to future salary increases.

A substantial proportion of the Group's imports are paid for in US dollars. The business is therefore subject to risks arising from fluctuations in currency exchange rates which its foreign exchange hedging strategies may not protect.

Factors outside the Group's control which may materially adversely affect the business include changes to law, governmental regulations or taxes in the countries in which it operates; damage or interruptions due to operational disruption; increases in energy costs; natural disasters and terrorist activity.

# 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.

During the period two additions have been made to the directors listed in the 2010 Annual Report:

- Avril Palmer-Baunack was appointed as a non-executive director on 1 July 2010, and
- David Adams was appointed as a non-executive director on 1 September 2010.

By order of the Board

J. McNally  
Chief Executive

J. Boyle  
Group Finance Director and Company Secretary