

**For Immediate Release**

**16<sup>th</sup> October 2006**

**ALEXON GROUP PLC**

Alexon Group plc, the leading retailer of ladieswear, menswear and shoes, announces Interim Results for the 26 weeks ended 29 July, 2006.

***Key Financials***

- Overall sales of £180.8m (2005: £197.7m) and like for like sales down 6.9%;
- Operating profit of £751,000 (2005: £7.8m);
- Basic earnings per share of 1.22p (2005: 9.45p);
- Interim dividend declared of 3.00p per Ordinary Share (2005: 3.00p);
- Strong emphasis on cash management with net cash at the end of the period of £6.6m (2005: £2.6m);
- Share buyback programme continued with 1.2m shares purchased for cancellation for an aggregate sum of £2.9m.

**For further information:**

**Alexon Group**

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## CHIEF EXECUTIVE'S REPORT

### Results

Overall sales were 8.5% down on the prior year, with like for like sales down 6.9%, a reflection of the challenging trading environment faced by all four Divisions in the first half of the year and of particularly poor performances from Dolcis, Menswear and Mandolin.

Margins suffered against last year across all Divisions, as a consequence of higher level of promotional activity and the need to clear terminal stocks. Overall stock levels at the end of the half were lower than last year.

Costs have been tightly controlled during the half and there has been a strong emphasis on cash management, resulting in an improved cash performance over last year.

### Alexon Brands

The operating profit for Alexon Brands was £6.6 million compared with £9.6m in the prior year.

Like for like sales were 5% down on the prior year on lower margins.

As announced earlier this month, the Board has decided to discontinue the Mandolin brand, which was launched in October 2005 in 17 High Street shops transferred from other Group fascias. The level of losses from Mandolin (£2.4 million in the first half) and the lack of any subsequent improvement in sales performance left us with no option but to close it down. The shops in question will be subject to disposal or transfer to other Group formats at the end of the current year.

The loss for the year for Mandolin is estimated at £5 million, with additional costs of closure (principally stock provision and asset write down) of about £2 million.

The Mandolin project placed a considerable burden on management resources within Alexon Brands, and some of the other brands have suffered as a direct consequence. Whilst Eastex, Dash and Ann Harvey fared reasonably well, Kaliko, Alex & Co and Minuet had poor Spring seasons and will be similarly affected in the Autumn. We are now able to give these brands the concentration of effort and attention that they need and are confident of a strong recovery in Spring 2007.

### Dolcis

The operating loss for Dolcis increased from £0.9 million to £2.4 million. Like for like sales were 7% down on the prior year on lower margins. In the context of a difficult footwear market, the lack of commerciality in the ladies summerwear ranges was largely responsible for the shortfall. Much work has been done to improve the range acceptability but in line with the rest of the shoe trade, Autumn sales have been slow to date. Ladies boots, (a key component in the second half) have been affected by the warm September weather and have only started to achieve volume sales with the recent onset of cooler weather. The performance on mens shoes, by contrast, continues to be consistent.

## Menswear

The operating loss for Menswear increased from £1.5 million last year to £3.5 million. Like for like sales were 16% down on the prior year, on a slightly lower margin. This unsatisfactory performance was a direct consequence of the costly mistakes made in Autumn 2005, whereby own branded merchandise was expanded at the expense of third party brands. The buying lead times are such that this imbalance continued during Spring, and it is only recently that the stock mix has been rectified. Much work has been done to restore a branded ambience and the early indications are positive, with Menswear the best performing Division in the half to date. In terms of product availability, we will now be well placed for the critical Christmas trading period.

## Bay Trading

The operating profit for Bay Trading was £0.1 million compared with £1.0 million in the prior year. Like for like sales were 3.9% down on lower gross margins reflecting difficult trading conditions and the absence of any strong trends in the young fashion market. We are continuing to expand the brand, opening 3 new shops in the first half with further openings planned for the second half.

## Outlets

Given below is a summary of outlets as at 29 July 2006.

	UK Shops	UK Concessions	European Concessions	Total
Alexon Brands	88	816	140	1,044
Dolcis	67	132	6	205
Bay Trading	150	45	18	213
Style	58	73	2	133
Total	<u>363</u>	<u>1,066</u>	<u>166</u>	<u>1,595</u>

## Current Trading

Group like for like sales for the first eleven weeks of the half are 8% down on last year, with all Divisions adversely affected by the unseasonably warm weather in September and soft consumer demand. The last two weeks, however, have shown some signs of improvement.

## Shareholder Returns

In February and March 2006 1.2m shares were purchased for cancellation for the aggregate sum of £2.9 million.

The Board is declaring an interim dividend of 3.00p per Ordinary Share (2005 equals 3.00p) payable on 30 November 2006 to shareholders on the register at 3 November 2006.

John Osborn  
**Chief Executive**

## CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	Unaudited	Audited
		<b>26 weeks to</b>	26 weeks	52 weeks to
	Note	<b>29 July 2006</b>	to	28 January
		<b>£000's</b>	30 July	2006
			2005	£000's
			£000's	£000's
<b>Revenue</b>	2	<b>180,848</b>	197,662	413,630
Cost of sales		<b>(168,809)</b>	(177,491)	(365,311)
<b>Gross profit</b>		<b>12,039</b>	20,171	48,319
Administrative expenses		<b>(4,912)</b>	(5,570)	(11,523)
Distribution costs		<b>(6,376)</b>	(6,850)	(17,136)
<b>Operating profit</b>	2	<b>751</b>	7,751	19,660
Finance income		<b>367</b>	267	625
Finance expense		<b>(116)</b>	(130)	(299)
<b>Profit before taxation</b>		<b>1,002</b>	7,888	19,986
Income tax expense		<b>(318)</b>	(2,474)	(5,269)
<b>Profit for the financial period attributable to equity holders of the Company</b>		<b>684</b>	5,414	14,717
Earnings per share :				
basic	3	<b>1.22p</b>	9.45p	25.73p
diluted	3	<b>1.21p</b>	9.34p	25.71p

**CONSOLIDATED STATEMENT OF  
RECOGNISED INCOME AND EXPENSE**

	<b>Unaudited 26 weeks to 29 July 2006 £000's</b>	Unaudited 26 weeks to 30 July 2005 £000's	Audited 52 weeks to 28 January 2006 £000's
Actuarial gain/(loss) arising in defined benefit pension scheme	<b>1,674</b>	373	(1,702)
Tax on items taken directly to equity	<b>(789)</b>	(471)	492
Gains on cash flow hedges	<b>655</b>	1,148	195
Net income/(expense) recognised directly in equity	<b>1,540</b>	1,050	(1,015)
Profit for the financial period	<b>684</b>	5,414	14,717
Total recognised income for the financial period attributable to equity holders of the Company	<b>2,224</b>	6,464	13,702

## CONSOLIDATED BALANCE SHEET

	Unaudited as at 29 July 2006	Unaudited as at 30 July 2005	Audited as at 28 January 2006
£000's	£000's	£000's	£000's
<b>Non-current assets</b>			
Goodwill	37,174	37,174	37,174
Property, plant and equipment	16,383	19,877	17,930
Deferred tax	3,377	3,094	4,214
Pension assets	203	-	72
	<u>57,137</u>	<u>60,145</u>	<u>59,390</u>
<b>Current assets</b>			
Inventory	60,211	62,080	58,629
Trade and other receivables	24,498	26,069	24,994
Cash and cash equivalents	9,659	4,969	12,327
	<u>94,368</u>	<u>93,118</u>	<u>95,950</u>
<b>Current liabilities</b>			
Trade and other payables	(42,829)	(43,090)	(36,646)
Short term borrowings	(3,069)	(2,364)	(4,462)
Current tax payable	(359)	(3,123)	(2,816)
	<u>(46,257)</u>	<u>(48,577)</u>	<u>(43,924)</u>
<b>Net current assets</b>	<u>48,111</u>	<u>44,541</u>	<u>52,026</u>
<b>Non-current liabilities</b>			
Long term provisions	(2,743)	(2,388)	(2,751)
Accruals and deferred income	(2,330)	(2,760)	(2,580)
Pension liabilities	(2,691)	(4,491)	(4,516)
<b>Total non-current liabilities</b>	<u>(7,764)</u>	<u>(9,639)</u>	<u>(9,847)</u>
<b>Net assets</b>	<u>97,484</u>	<u>95,047</u>	<u>101,569</u>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	5,705	5,832	5,820
Share premium	39,357	37,905	39,354
Capital redemption reserve	3,131	3,004	3,016
Hedging reserve	586	789	195
Retained earnings	48,705	47,517	53,184
<b>Total equity</b>	<u>97,484</u>	<u>95,047</u>	<u>101,569</u>

## CONSOLIDATED CASH FLOW STATEMENT

		Unaudited 26 weeks to		Unaudited 26 weeks to		Audited 52 weeks to 28 January 2006
	Note	29 July 2006		30 July 2005		2006
		£000's	£000's	£000's	£000's	£000's
<b>Cash flow from operating activities</b>						
Cash generated from operations	5	8,549		4,515		17,267
Interest received		174		162		289
Interest paid		(108)		(130)		(244)
Tax paid		(2,727)		(2,686)		(6,123)
<b>Net cash generated from operating activities</b>		<b>5,888</b>		<b>1,861</b>		<b>11,189</b>
<b>Investing activities</b>						
Purchase of property, plant and equipment		(854)		(1,914)		(4,524)
(Costs)/proceeds of disposal of property, plant and equipment	-			(65)		167
<b>Net cash used in investing activities</b>		<b>(854)</b>		<b>(1,979)</b>		<b>(4,357)</b>
<b>Financing activities</b>						
Proceeds from the issue of shares		3		10		334
Purchase of own shares		(2,943)		(2,688)		(2,983)
Dividends paid		(3,369)		(3,225)		(4,944)
<b>Net cash used in financing activities</b>		<b>(6,309)</b>		<b>(5,903)</b>		<b>(7,593)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,275)</b>		<b>(6,021)</b>		<b>(761)</b>
Cash and cash equivalents at the beginning						
of the period		<b>7,865</b>		8,626		8,626
Cash and cash equivalents at the end						
of the period		<b>6,590</b>		2,605		7,865
Cash and cash equivalents		<b>9,659</b>		4,969		12,327
Short term borrowings		<b>(3,069)</b>		(2,364)		(4,462)
		<b>6,590</b>		2,605		7,865

## Notes to the unaudited financial statements

### 1 Basis of preparation

These interim financial statements for the 26 weeks ending 29 July 2006 have not been audited; nor have the comparative figures for the 26 weeks ended 30 July 2005. The figures for the 52 weeks ended 28 January 2006 do not constitute the Group's statutory accounts for that period within the meaning of Section 240 of the Companies Act, but have been extracted from the statutory accounts which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under Section 237 (2) or Section 237 (3) of the Companies Act 1985.

These financial statements have been prepared using the accounting policies set out in the Group's 2006 Annual Report and Accounts and in accordance with the Listing Rules of the Financial Services Authority, except as noted below. The Group has chosen not to adopt IAS34 'Interim financial statements' in preparing these interim statements.

In 2006 the Group adopted the following amendments and interpretations of existing standards which are relevant to its operations

Amendment to IAS 39 'The fair value option'

Amendment to IAS 39 'Cash flow hedge accounting of forecast intragroup transactions'

Amendment to IAS 21 'Net investment in a foreign operation'

IFRIC4 'Determining whether an arrangement contains a lease'

There have been no changes to the accounting policies described in the 2006 Annual Report and Accounts as a result of the adoption of the above amendments and interpretations

## 2 Segmental information

	Segment turnover		Segment result	
	<b>26 weeks to 29 July 2006</b> £000's	26 weeks to 30 July 2005 £000's	<b>26 weeks to 29 July 2006</b> £000's	26 weeks to 30 July 2005 £000's
Alexon Brands	<b>93,481</b>	98,189	<b>6,563</b>	9,644
Dolcis	<b>28,691</b>	31,354	<b>(2,357)</b>	(882)
Bay Trading	<b>36,633</b>	40,620	<b>112</b>	983
Style Menswear	<b>22,043</b>	27,499	<b>(3,495)</b>	(1,515)
	<b>180,848</b>	197,662	<b>823</b>	8,230
Unallocated costs			<b>(72)</b>	(479)
Operating profit			<b>751</b>	7,751
Finance income			<b>367</b>	267
Finance expense			<b>(116)</b>	(130)
<b>Profit before taxation</b>			<b>1,002</b>	7,888
Income tax expense			<b>(318)</b>	(2,474)
<b>Profit for the period</b>			<b>684</b>	5,414

### 3 Earnings per share

The calculation of basic earnings per share is based on profits of £684,000 (2005 : £5,414,000) and on 56,283,428 ordinary shares ( 2005 : 57,289,489) 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 all dilutory share options granted to directors and key employees. Reconciliations of the earnings and weighted average number of shares are set out below.

	<u>26 weeks to 29 July 2006</u>			<u>26 weeks to 30 July 2005</u>		
	Earnings (£)	Weighted average number of shares	Per share pence	Earnings (£)	Weighted average number of shares	Per share pence
Basic earnings	684,000	56,283,428	1.22	5,414,000	57,289,489	9.45
Effect of dilutive securities :						
options	-	12,999	(0.01)	-	676,027	(0.11)
Diluted earnings	<u>684,000</u>	<u>56,296,427</u>	<u>1.21</u>	<u>5,414,000</u>	<u>57,965,516</u>	<u>9.34</u>

### 4 Dividends

A final dividend of 6p per ordinary share (2005 : 5.67p) amounting to £3,369,000 (2005 : £3,225,000) in respect of the 52 weeks ending 28 January 2006 was paid to shareholders on 30 June 2006. The Board is declaring an interim dividend of 3p per ordinary share (2005 : 3p) payable on 30 November 2006 to shareholders on the register on 3 November 2006.

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

	<b>26 weeks to 29 July 2006 £000's</b>	26 weeks to 30 July 2005 £000's	52 weeks to 28 January 2006 £000's
<b>Cash generated from operations :</b>			
Operating profit	<b>751</b>	7,751	19,660
<b>Adjustments for :</b>			
Depreciation	<b>2,398</b>	2,785	5,506
Impairment of property, plant and equipment	-	-	1,351
Share based payments	-	-	114
Revaluation gains on financial instruments	<b>(285)</b>	-	(60)
Loss on disposal of property, plant and equipment	<b>3</b>	183	436
<b>Changes in working capital :</b>			
Decrease/(increase) in trade and other receivables	<b>461</b>	567	(36)
Increase in inventories	<b>(1,582)</b>	(6,773)	(3,322)
Increase/(decrease) in trade and other payables	<b>6,865</b>	(3)	(4,342)
(Decrease)/increase in long term provisions, accruals and deferred income	<b>(8)</b>	-	7
Movement in net retirement benefit obligations	<b>(54)</b>	5	(2,047)
Cash generated from operations	<b>8,549</b>	4,515	17,267

6 Statement of changes in equity

	<b>26 weeks to 29 July 2006 £000's</b>	26 weeks to 30 July 2005 £000's	52 weeks to 28 January 2006 £000's
Profit attributable to equity shareholders	<b>684</b>	5,414	14,717
Dividends	<b>(3,369)</b>	(3,225)	(4,944)
Actuarial gain/(loss) arising in defined benefit pension scheme	<b>1,674</b>	373	(1,702)
Tax on items taken directly to equity	<b>(789)</b>	(471)	492
Gains on cash flow hedges	<b>655</b>	1,148	195
Arising on share issues	<b>3</b>	10	1,308
Arising on share purchases	<b>(2,943)</b>	(2,688)	(2,983)
Increase in total equity	<b>(4,085)</b>	561	7,083
Total equity at the beginning of the period	<b>101,569</b>	94,486	94,486
Total equity at the end of the period	<b>97,484</b>	95,047	101,569

7 Post balance sheet events

On 4 October the Group announced that it had decided to discontinue the Mandolin brand which was launched in September 2005. Further details regarding this announcement are contained within the Chief Executive's report on page 2.

8 This statement is being posted to shareholders and copies will be available to members of the public at the registered office at 40 - 48 Guildford Street, Luton, LU1 2PB.