RNS Number : 3762P
SuperGroup PLC
15 July 2010

15th July 2010

SuperGroup PLC ("the Group")

Unaudited preliminary results for the 52 weeks ended 2 May 2010

Financial Results

- Group revenue of £139.4m up 83.1% (2009: £76.1m);
- Adjusted profit before tax of £26.5m up £18.6m (2009: £7.9m) stated before exceptional items (£3.8m expense; 2009: nil) and the impact of financial derivatives (£0.2m expense; 2009: £0.3m expense);
- Profit before tax of £22.5m up £14.9m (2009: £7.6m);
- Cash, net of overdrafts, at year end is £28.0m (including £16.4m flotation proceeds); compared with a net overdraft position of £1.7m at 3 May 2009;
- Basic earnings per share of 127.2 pence (2009:14.0 pence).

Key Highlights

Retail

- 20 new standalone stores opened in the year adding 93,000 sq ft of selling space (before closures) and contributing £18.4m to a total increase in retail revenue of £37.5m;
- New store format driving revenue density growth - new store revenue densities are on average +67.8% ahead of stores opened prior to 2009;
- Internet revenues have shown good growth both in the UK and abroad, selling to 72 countries from our UK based website compared with 58 in March 2010;
- Total of 56 concessions now trading, 11 being womenswear.

Wholesale

- Wholesale now sells to 36 countries compared with 27 countries a year ago;
- There are currently 39 franchise stores in 14 countries, and 14 of these have opened since flotation on 24 March 2010;
- Overseas wholesale revenue now accounts for 49.0% of wholesale revenue (2009: 33.7%).

Julian Dunkerton, Chief Executive said: 'SuperGroup has had a fantastic year, delivering an excellent set of financial results and achieving a highly successful listing on the London Stock Exchange.

'All areas of the business have performed well and we have delivered strong sales growth, improved margins and good cash generation.

'Superdry is fast becoming a truly global brand and our ranges continue to be well received by customers. Strong retail growth in the form of new store openings in the UK and enhancements to our online offering, together with the development of our womenswear range, increasing wholesale demand and new international franchise agreements point to continued success next year.'

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Business Review

Results Summary

We are delighted to report that SuperGroup has had a very good year, delivering a substantial increase in profit and cash inflow set against a difficult economic and trading backdrop. These results are a first and significant step in the development of a business that listed successfully on the London Stock Exchange in March 2010.

Total Group revenue of £139.4m was up £63.3m (an increase of 83.1%) compared with the previous year, demonstrating the rapid expansion of the business and an increasing awareness of the Superdry brand. Overall profit margins improved in the second half, at both gross and operating levels, primarily reflecting supply chain efficiencies in Wholesale.

Operating margins before exceptional items and financial derivatives have grown as a percentage of sales from 10.8% in 2009 to 19.1% in 2010.

Operating margins have grown as a percentage of sales from 10.4% in 2009 to 16.2% in 2010.

Profit before tax (before exceptional items and the impact of financial derivatives) of £26.5m is more than three times the previous year (2009: £7.9m) and ahead of the profit forecast included in the prospectus by £0.8m.

Profit before tax of £22.5m has increased by £14.9m since the previous year (2009: £7.6m).

£k	**2010**	**Add back exceptional items**	**Add back derivatives movement**	**Adjusted 2010**	**2009**	**Add back derivatives movement**	**Adjusted 2009**
Revenue from external customers							
Retail	86,394	-	-	86,394	48,874	-	48,874
Wholesale	53,010	-	-	53,010	27,269	-	27,269
Total Revenue	**139,404**	**-**	**-**	**139,404**	**76,143**	**-**	**76,143**
Operating Profit							
Retail	11,981	3,811	97	15,889	4,748	-	4,748
Wholesale	10,642	-	137	10,779	3,168	330	3,498
Total Operating Profit	**22,623**	**3,811**	**234**	**26,668**	**7,916**	**-**	**8,246**
Net Finance Costs	(167)	-	-	(167)	(329)	-	(329)
Profit Before Tax	**22,456**	**3,811**	**234**	**26,501**	**7,587**	**330**	**7,917**
Income Tax Expense	(187)	-	-	(187)	-	-	-
Exceptional Income Tax Credit	49,889	(49,889)	-	-	-	-	-
Total Tax Credit	49,702	(49,889)	-	(187)	-	-	-
Profit for the Period	**72,158**	**(46,078)**	**234**	**26,314**	**7,587**	**330**	**7,917**
Basic EPS *(see note later)*	**127.2p**				**14.0**		

Our Strategy

Developing our Brand

We target the youth fashion market with affordable, premium quality clothing and accessories for both men and women. Our focus has been on customers primarily in the 15 to 25 age bracket, but our brand is increasingly appealing to a much broader group.

Our strategy is to develop the Superdry brand through expansion of our standalone stores in the UK and increasing our presence on the internet and overseas, all of which offer a significant opportunity for developing brand awareness and generating future profit growth.

The Superdry range expanded from 1,000 pieces in Spring/Summer 2009 to 1,400 pieces for Spring/Summer 2010, with extensions into underwear and further expansion of the womenswear range, and will exceed 2,000 pieces for Autumn/Winter 2010.

Strong Supplier Relationships

The business is built around the Superdry range of clothing. Our products are designed entirely in-house and manufactured in a number of overseas factories known for their expertise and specialism in particular product categories.

The relationships with our suppliers have been forged over several years and are critical to offering our customers the very best in affordable and quality clothing. We believe the emphasis we have placed on working collaboratively with our suppliers gives us a competitive advantage.

Strengthening our Support Infrastructure

All aspects of the business are being strengthened to deliver our strategy. We have experienced and well trained managers, supported by committed teams who are focussed on delivering growth. Our head office team is growing and will continue to do so as we build the necessary skills to support and drive the next stage of business development.

We are enhancing every part of our infrastructure to enable the business to deliver our forecast growth and store roll-out programme. The UK Distribution Centre became operational during the year enabling faster store replenishment. Greater efficiency will be delivered over the coming seasons as processes and controls are established with a focus on customer service.

The IT platform has been reviewed and will support the business for the medium term and investment plans are now being developed to ensure it supports the ongoing business growth. A number of process changes have been identified to deliver efficiencies that will be part of a continuous improvement programme.

Retail

The Retail Division comprises Cult and Superdry branded retail outlets in the UK and Republic of Ireland, as well as concessions and an internet sales channel.

This part of the Group delivered £86.4m of sales, an increase of 76.8% on the previous year (2009: £48.9m). Operating profit before exceptional items and financial derivatives was £15.9m against £4.7m in the previous year and operating margins before exceptional items and financial derivatives improved by 8.6 percentage points to 18.4% (2009: 9.7%).

Operating profit was £12.0m (2009: £4.7m).

This performance has been driven by our store roll-out programme that has seen new Cult and Superdry stores open in a number of key locations, from Cardiff's St David's Centre to Union Square, Aberdeen, Meadowhall in Sheffield, Milton Keynes and Dublin.

In total, 20 stores opened during the year compared with 7 in 2009, adding 93,000 sq ft of new selling space. We now trade from 42 stores and 212,000 sq ft of selling space.

The Group also has 4 outlet stores which provide an appropriate channel to sell slower moving and end of season lines from both the Retail and Wholesale Divisions.

During the year a new retail shop-fit design was developed. This has supported improving revenue densities and profitability which, in turn, has improved cash generation across the Group. During the coming months we plan to incorporate elements of this new concept within existing stores by way of minor refits, and it will be part of new store design as a matter of course.

The Group is fortunate that it is looking to add retail space at a time when the retail property market is flat. The Board is taking full advantage of this opportunity and is able to find new prime sites while at the same time being able to access landlords' incentives.

Our concessions have increased to 56 and Superdry is performing well. Two womenswear concessions were added before the year end, and plans are in place to add a further 10 womenswear concessions before Christmas 2010 alongside the best performing menswear locations, growing sales into 2011.

Like-for-like revenues grew 17% for the year despite the overall economic situation. However, at this stage of our development, like-for-like revenues are not seen as a key measure as they relate to stores that have been open for longer than 12 months, including internet and concessions. The majority of our store portfolio opened recently and consequently the number of stores in the like-for-like calculation is small. Some of the older stores need relocating to reflect and optimise the growing strength of our brand and we anticipate increased revenues as a result of store refits.

The Internet offering progressed during the year following the launch of a new web-site and now represents 4.4% of total revenues. The recent appointment of a Head of e-Commerce will help drive this route to market. We deliver to approximately 70 countries worldwide compared with 58 at the time of the flotation in March 2010, from what is a UK based website, emphasising the increasing levels of brand awareness outside the UK.

We are launching a new website offering multi-language and multi-currency options across a number of European territories which should also accelerate growth.

We continue to deliver on our plans to expand the womenswear range which today represents 34.4% of total retail revenues, an increase of 2.4 percentage points since last year. We believe that increasing participation within the range represents a major opportunity for the business.

Wholesale

The Wholesale Division sells to a growing number of distributors, franchisees, licensees and independent retailers (via agents) throughout the UK and the rest of the world.

Revenue of £53.0m was delivered in the year to 2 May 2010, an increase of 94.4% on the previous year (2009: £27.3m). Operating profit before exceptional items and financial derivatives was £10.8m against £3.5m for the previous year and operating margins before exceptional items and financial derivatives improved by 7.5 percentage points from 12.5% to 20.3% due to the low operational gearing of this division.

Operating profit was £10.6m against £3.2m for the previous year and operating margins improved by 8.5 percentage points from 11.6% to 20.1%.

This was driven by continued organic growth of key UK and European accounts, along with the securing of distribution partners in new territories, underpinning our belief in the strength of Superdry as a global brand. Including new customers, key accounts (UK and Europe) represented 77.2% of Wholesale revenues of which the largest customer represented 14.3%.

Overseas, Superdry is now sold in 36 countries via a well established network of distributors, licensees, agents and franchisees. Revenues in overseas markets are 49.0% of total Wholesale revenues compared with 33.7% in 2009.

In addition to the strength of the brand, the significant success delivered by Wholesale during the year rests partly upon the creation of franchise and licence agreements with a number of partners to create 39 stores in 14 countries at the end of the financial year, of which 14 have opened since the flotation in March 2010. We believe this model provides a low risk investment route to market.

Since the year end, we have announced a franchise agreement in the United Arab Emirates to open 13 stores across the region, with the first Superdry store in the Middle East expected to open in Dubai in September 2010.

Current Trading and Outlook

The new financial has year started well and is in line with our expectations.

In the UK, our store roll-out is on track with a number of new openings across the country including our largest store to date opening later this month in the Lakeside shopping centre, Grays, Essex. We are committed to the roll-out of new stores across key locations in the UK and plan to open approximately 20 per year, while increasing the participation of womenswear in the mix.

Our online offer has been expanded alongside a re-launched customer facing website and we see significant opportunities to exploit this channel.

The Wholesale open order book for Autumn/Winter 2010 indicates it will be another record season and we continue to take advantage of international opportunities. The international roll-out has only just begun to realise its true potential and will gain real traction over the coming year as further franchise stores open.

There is huge potential for this business both in the UK and internationally and, with a strong growth strategy, we are confident of achieving another successful year.

Financial Review

Gross profit of £73.3m (52.6% of sales) is more than double last year and the improvement in the percentage to sales (+5 percentage points) is a result of improved control over supply chain costs, particularly in the Wholesale Division.

Profit after tax of £72.2m has increased by £64.6m from the prior year (2009: £7.6m), which includes the impact of an exceptional deferred tax credit of £49.9m (2009: nil) in the period.

Basic earnings per share

In our first year, basic earnings per share is 127.2p (2009: 14.0p) based on a weighted average of 56,747,273 shares in issue during the financial year.

Cash, Finance Costs and Income

The Group is debt free and has cash, net of overdrafts, of £28.0m as at the end of the year, an increase of £29.7m compared to the previous year end (2009: net overdraft £1.7m), of which £16.4m represents net proceeds from the flotation.

Finance costs of £0.2m (2009: £0.3m) arose from the utilisation of import loans as part of managing cash flow through the Autumn/Winter 2009 season, and to finance the build up of stock in retail prior to Christmas 2009. In light of the increased cash balances of the business, while committed facilities are in place until 1 February 2011, it is expected that they will not be needed in future.

Exceptional operating costs

Exceptional costs consist of £3.8m (2009: nil) of professional advisors fees relating to the listing on the

London Stock Exchange in March 2010, but which are not directly attributable to the issue of new shares and so cannot be deducted from the share premium account. All of the costs are allocated against retail as this is the basis on which the Board reviews the performance of the business.

Taxation

In preparation for the listing of the business on the London Stock Exchange, a substantial reorganisation was undertaken with effect from 7 March 2010. Prior to this date the Group had no exposure to corporation tax, as taxation on its profits was borne directly by the members.

As part of this restructuring, certain of the Group's subsidiaries acquired net assets with a total fair value of £375m, as supported by independent external valuations.

The Directors believe that intangible assets (brands and goodwill) acquired in this restructuring of at least £187m should be deductible against taxable profits over the useful economic lives of the respective assets. This has given rise to £52.4m of the exceptional deferred tax credit for the period. Offset against this are accelerated capital allowances and other minor adjustments to create a total net deferred tax credit in relation to the restructuring of £49.9m. No corporation tax was due for the post 7 March 2010 period.

Based on the Directors' view of the useful economic lives of the brands and residual goodwill, the Directors consider that the Group's future cash tax expense should be reduced by approximately £4m per annum. This amount will need to be adjusted by subsequent changes to corporate tax rates or other legislative amendments.

While this view has yet to be confirmed by HMRC, the Directors believe that the deferred tax asset recognised in the balance sheet is recoverable in full.

Cash Flow and Balance Sheet

The balance sheet has been strengthened by continued high levels of cash generation, investment in new stores (offset by cash contributions from landlords), improved working capital controls and the net proceeds retained in the Group (£16.4m) from the recent flotation in March 2010.

Investment in property, plant and equipment almost doubled during the year to £23.3m, primarily due to the opening of 20 stores. Capital expenditure was £15.2m, of which £12.9m was leasehold improvements relating to the Retail estate. The remainder was for IT projects, the UK Distribution Centre and general fixtures and fittings.

We are planning to accelerate the square footage growth of the Retail estate and capex relating to new stores will increase. In particular, the £16.4m net proceeds raised from the flotation will be used to fit out new stores in those locations where landlords' incentives are not available. Landlords' contributions to fit-out costs shorten the payback period for new stores and £11.2m was received during the year (2009: £3.5m). The contributions will be amortised over the lives of the respective leases.

Working capital controls improved during the year, such that working capital now represents 12.9% of annual sales compared with 20.8% in 2009.

Inventories (after provisions) have only increased by £3.6m to £21.1m representing 15.2% of annual revenues compared with 23.1% a year ago. Trade receivables (after provisions) have increased by £3.1m to £9.5m (excluding landlord contributions), compared with an increase in revenues of 83.1%. Trade payables have increased by £5.0m (64.2% above last year) in line with increases in cost of goods and the overhead base.

The Group delivered a net cash in-flow of £29.7m during the year despite continued investment to support growth, converting a net overdraft position at the end of 2009 of £1.7m into a net cash position of £28.0m. The business expects to continue to generate cash into the future, with increased critical mass in the retail estate and tight financial controls over working capital and operating expenses.

Dividends

The Board of Directors has concluded that after such a short period since the flotation on the London Stock Exchange, the business is best served by retaining current cash reserves to support growth. Consequently a recommendation will be made to the Annual General Meeting that no dividend is payable for 2010.

In future years, the Directors expect to pay a dividend that will take account of the Group's profitability, underlying growth and the availability of cash and distributable reserves, while managing an appropriate level of dividend cover.

Cautionary statement

This report contains certain forward-looking statements with respect to the financial condition, results of the operations, and businesses of SuperGroup PLC. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, SuperGroup PLC has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Combined and Consolidated Statement of Comprehensive Income (unaudited)

	52 weeks ended 2 May 2010 £'000	52 weeks ended 3 May 2009 £'000
Revenue	139,404	76,143
Cost of sales	(66,130)	(39,877)
Gross profit	**73,274**	**36,266**
Selling, general and administrative expenses excluding exceptional items	(47,630)	(28,601)
Selling, general and administrative expenses - exceptional items	(3,811)	-
Total selling, general and administrative expenses	**(51,441)**	**(28,601)**
Other gains and losses (net)	790	251
Operating profit	**22,623**	**7,916**
Finance income	3	2
Finance costs	(170)	(331)
Profit before tax before exceptional items and derivatives	26,501	7,916
Exceptional items	(3,811)	-
Net derivatives expense	(234)	(329)
Profit before tax	**22,456**	**7,587**
Income tax expense excluding exceptional items	(187)	-
Exceptional income tax credit	49,889	-
Total income tax credit	**49,702**	**-**
Profit for the period	**72,158**	**7,587**
Other comprehensive income net of tax:		
Currency translation difference	(33)	-
Total comprehensive income for the period	**72,125**	**7,587**
Attributable to:		
Shareholders of the Company	**72,125**	**7,587**
	pence per share	pence per share
Earnings per share:		
Basic and diluted	127.2	14.0

The results for the financial period are derived from continuing operations.

Combined and Consolidated Balance Sheets (unaudited)

	2 May 2010 £'000	3 May 2009 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	23,299	12,250
Intangible assets	1,093	627
Deferred income tax assets	49,702	-
Total non-current assets	**74,094**	**12,877**
Current assets		
Inventories	21,130	17,563
Trade and other receivables	16,373	9,283
Derivative financial instruments	103	-
Cash and cash equivalents	29,359	777
Total current assets	**66,965**	**27,623**
LIABILITIES		
Current liabilities		
Borrowings	1,349	5,408
Trade and other payables	21,480	11,639
Derivative financial instruments	337	329
Provisions for other liabilities and charges	817	28
Total current liabilities	**23,983**	**17,404**
Net current assets	**42,982**	**10,219**
Non-current liabilities		
Borrowings	21	2,574
Trade and other payables	16,528	4,773
Total non-current liabilities	**16,549**	**7,347**
Net assets	**100,527**	**15,749**
Equity		
Share capital	3,950	2,700
Share premium	120,138	-
Merger reserve	(342,265)	(2,700)
Translation reserve	(33)	-
Retained earnings	318,737	15,749
Total equity	**100,527**	**15,749**

Combined and Consolidated Cash Flow Statement (unaudited)

	52 weeks ended 2 May 2010 £'000	52 weeks ended 3 May 2009 £'000
Cash flow from operating activities		
Profit before income tax	22,456	7,587
Adjusted for:		
Depreciation of property, plant and equipment	4,070	3,213
Loss on disposal of property, plant and equipment	29	18
Amortisation of intangible assets	126	98

Net impact of lease incentives	388	131
Net finance costs	167	329
Fair value (gains)/ losses on derivative financial instruments	234	329
Foreign exchange gains on operating activities	(254)	(24)
Changes in working capital:		
Increase in inventories	(3,567)	(8,037)
Increase in trade and other receivables	(5,145)	(1,580)
Increase in trade and other payables	8,730	2,392
Cash generated from operations	**27,234**	**4,456**
Interest received	3	2
Interest paid	(170)	(331)
Net cash generated from operating activities	**27,067**	**4,127**
Cash flow from investing activities		
Purchase of property, plant and equipment	(15,236)	(7,551)
Proceeds on sales of property, plant and equipment	88	1
Purchase of intangible assets	(592)	(475)
Net cash used in investing activities	**(15,740)**	**(8,025)**
Cash flow from financing activities		
Cash contributions received from landlords	11,152	3,450
(Repayment)/ Proceeds from related party	(156)	177
(Repayment)/ Proceeds from borrowings	(2,866)	2,771
Repayment of capital element of finance leases	(21)	(25)
Members' drawings/ transfers	(5,859)	(1,996)
Amounts repaid to retired members	(181)	
Proceeds received from issuance of shares net of transaction costs	121,388	-
Repayment of loan notes	(105,000)	-
Net cash generated from financing activities	**18,457**	**4,377**
Net increase in cash and cash equivalents	**29,784**	**479**
Cash and cash equivalents, net of overdraft, at beginning of period	(1,743)	(2,198)
Exchange losses on cash and cash equivalents	(10)	(24)
Cash and cash equivalents at end of period, net of overdraft	**28,031**	**(1,743)**

Combined and Consolidated Statements of Changes in Equity (unaudited)

	Share capital £'000	Share premium £'000	Other reserves £'000	Translation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 5 May 2008	**2,700**	**-**	**-**	**-**	**(2,700)**	**10,506**	**10,506**
Comprehensive income							
Profit for the period	-	-	-	-	-	7,587	7,587
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**7,587**	**7,587**
Transactions with owners							
Members drawings	**-**	**-**	**-**	**-**	-	(2,344)	(2,344)
Total transactions with owners	-	-	-	-	-	**(2,344)**	**(2,344)**
Balance at 4 May 2009	**2,700**	**-**	**-**	**-**	**(2,700)**	**15,749**	**15,749**
Comprehensive income							
Profit for the period	**-**	**-**	**-**	**-**	**-**	72,158	72,158
Other comprehensive income							
Currency translation differences	**-**	**-**	**-**	**(33)**	**-**	**-**	**(33)**
Total other comprehensive income	**-**	**-**	**-**	**(33)**	**-**	**-**	**(33)**
Total comprehensive income for the period	**-**	**-**	**-**	**(33)**	**-**	**72,158**	**72,125**
Transactions with owners							

Reverse opening capital structure under predecessor accounting	(2,700)	-	-	-	2,700	-	-
Withdrawal of members' capital accounts relating to the business combination	-	-	-	-	-	(36,470)	(36,470)
Shares issued relating to the business combination	270,000	-	-	-	-	-	270,000
Issue of loan notes relating to the business combination	-	-	69,380	-	-	-	69,380
Capital reduction	(267,300)	-	-	-	-	267,300	-
Proceeds from shares issued at a premium on IPO	1,250	123,750	-	-	-	-	125,000
Directly attributable costs for shares issued at a premium on IPO	-	(3,612)	-	-	-	-	(3,612)
Repayment of loan notes	-	-	(69,380)	-	-	-	(69,380)
Merger reserve arising on business combinations	-	-	-	-	(342,265)	-	(342,265)
Total transactions with owners	**1,250**	**120,138**	**-**	**-**	**(339,565)**	**230,830**	**12,653**
Balance at 2 May 2010	**3,950**	**120,138**	**-**	**(33)**	**(342,265)**	**318,737**	**100,527**

The Group was restructured on 7 March 2010 which, under predecessor accounting, created a merger reserve upon consolidation.

Selected Notes to the Financial Information (unaudited)

Basis of preparation (unaudited)

The financial information contained in this announcement, which does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006, has been derived from the unaudited statutory accounts for the 52 weeks ended 2 May 2010. These statutory accounts will be the first accounts prepared by the Company.

Segmental information (unaudited)

The Group's operating segments under IFRS 8 have been determined based on the reports reviewed by the Group's Chief Operating Decision Maker ("the Board"). The Board assesses the performance of the operating segments based on profit before tax. The Board considers the business from a customer perspective only, being retail and wholesale.

Up until publication of the IPO Prospectus, which was produced as part of the flotation process, the Chief Operating Decision Maker was Julian Dunkerton, who reviewed performance of the business based on four segments as there were reporting lines from these segments. Since the IPO the CODM is now the Board with a Chief Executive Officer for wholesale and retail.

The Board, as Chief Operating Decision Maker, has been assessing the appropriate segments for the ongoing management of the business. The Board receives information, reviews the performance of the business, allocates resources and approves budgets for two operating segments and therefore information is disclosed in respect of the following two segments:

- Retail - Principal activities comprise the operation of stores, concessions and internet sites.Revenue is derived from the sale to individual consumers of own brand and third party clothing, shoes and accessories; and

- Wholesale - Principal activities comprise the wholesale distribution of own branded products (clothes, shoes and accessories) worldwide and the design and ownership of brands.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Capital expenditure comprises additions to property, plant and equipment and intangible assets. The Group reports and manages central functions as part of retail operations.

Internal charges between segments have been reflected in the performance of each business segment. Inter-segment transfers or transactions are entered into under a cost plus pricing structure.

Segment information for the main reportable business segments of the Group for the 52 weeks ended 2 May 2010 is set out below:

2 May 2010 segmental analysis	**Retail**	**Wholesale**	**Group**
	£'000	**£'000**	**£'000**
Total segment revenue	86,394	58,148	144,542
Inter-segment revenue	-	(5,138)	(5,138)
Revenue from external customers	**86,394**	**53,010**	**139,404**
Exceptional items	3,811	-	3,811
Finance income	3	-	3
Finance costs	(99)	(71)	(170)
Profit before tax	**11,885**	**10,571**	**22,456**
Total assets	71,175	69,884	141,059
Total liabilities	31,547	8,985	40,532
Capital expenditure	15,355	473	15,828
Depreciation and amortisation	3,861	335	4,196
Lease incentive amortisation	388	-	388
Income tax (credit)/expense excluding exceptional items	(637)	824	187
Exceptional income tax expense/(credit)	1,545	(51,434)	(49,889)

The following information is not required by IFRS 8 but is considered useful to the reader.

2 May 2010 segmental analysis	**Retail**	**Wholesale**	**Group**
	£'000	**£'000**	**£'000**
Operating profit before exceptional items and derivatives	15,889	10,779	26,668
Exceptional items	(3,811)	-	(3,811)
Net derivatives expense	(97)	(137)	(234)
Operating profit	**11,981**	**10,642**	**22,623**
Finance income	**3**	**-**	**3**
Finance costs	(99)	(71)	(170)
Profit before tax	**11,885**	**10,571**	**22,456**

Segment information for the main reportable business segments of the Group for the 52 weeks ended 3 May 2009 is set out below:

3 May 2009 segmental analysis	**Retail**	**Wholesale**	**Group**
	£'000	**£'000**	**£'000**
Total segment revenue	48,874	46,904	95,778
Inter-segment revenue	-	(19,635)	(19,635)
Revenue from external customers	**48,874**	**27,269**	**76,143**
Finance income	2	-	2
Finance costs	(232)	(99)	(331)
Profit before tax	**4,518**	**3,069**	**7,587**
Total assets	27,903	12,597	40,500
Total liabilities	14,318	10,433	24,751
Capital expenditure	7,127	899	8,026
Depreciation and amortisation	3,017	294	3,311
Lease incentive amortisation	131	-	131

The following information is not required by IFRS 8 but is considered useful to the reader.

3 May 2009 segmental analysis	Retail	Wholesale	Group
	£'000	**£'000**	**£'000**
Operating profit before financial derivatives	4,748	3,497	8,245
Net derivatives expense	-	(329)	(329)
Operating profit	**4,748**	**3,168**	**7,916**
Finance income	**2**	**-**	**2**
Finance costs	**(232)**	**(99)**	**(331)**
Profit before tax	**4,518**	**3,069**	**7,587**

There were no exceptional items in 2009.

Sales between segments are carried out on an arm's length basis. The revenue from external parties reported to the Board is measured in a manner consistent with that of the IFRS financial statements.

Revenues of approximately £16.7m (2009: £12.1m) in the retail segment are derived from concessions within the department stores which are all under common ownership.

Each subsidiary of the Group is incorporated and resident in the UK. Revenue from external customers in the UK and the total revenue from external customers from other countries are:

	2010	2009
	£'000	£'000
External revenue - UK	110,530	66,958
External revenue - Overseas	28,874	9,185
Total external revenue	**139,404**	**76,143**

Other than the UK, there are no individual countries which have material revenue streams. There are no significant non-current assets located outside of the UK.

Selling, general and administrative expenses - exceptional items (unaudited)

	2010	2009
	£'000	£'000
Costs incurred in relation to financial and operational restructuring, and the initial public offering (exceptional items)	3,811	-

Exceptional costs consist of £3.8m (2009: nil) of professional advisors fees relating to the listing on the London Stock Exchange in March 2010, but which are not directly attributable to the issue of new shares and so cannot be deducted from the share premium account. All of the costs are allocated against retail as this is the basis on which the Board reviews the performance of the business.

Income tax credit (unaudited)

Income tax credit	**2010**	2009
The tax credit comprises	**£'000**	£'000
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	187	-
Exceptional deferred tax credit - Deferred tax arising in subsidiary entities following business acquisitions	(49,889)	-
Total tax credit	**(49,702)**	**-**

Factors affecting the tax credit for the period	**2010**	2009
	£'000	£'000

Profit before tax	22,456	7,587
Profit multiplied by the standard rate in the UK - 28%	6,288	(2,124)
Expenses not deductible for tax purposes	445	-
Non qualifying additions	215	-
Overseas tax differentials	11	-
Profits of the LLP not subject to corporation tax	(6,772)	(2,124)
Total income tax expense excluding exceptional items	**187**	**-**
Exceptional income tax credit - Deferred tax arising in subsidiary entities following business acquisitions	(49,889)	-
Total income tax credit including exceptional items	**(49,702)**	**-**

Deferred tax movement	**2010**	2009
	£'000	£'000
Deferred tax arising in subsidiary entities following business acquisitions	(49,889)	-
Charged to the income statement		
Accelerated capital allowances	(186)	-
Movement on goodwill and intangibles	805	-
Other temporary differences (losses)	(459)	-
Revaluation of derivatives and forward exchange contracts	27	-
Total income tax credit	**(49,702)**	**-**
Represented by:		
Accelerated capital allowances	2,928	-
Temporary differences (losses)	(459)	-
Recognition of lease incentives	(550)	-
Goodwill and other intangibles	(51,555)	-
Revaluation of derivatives and forward exchange contracts to fair value	(66)	-
Total income tax credit	**(49,702)**	**-**

In preparation for the flotation of the business on the London Stock Exchange, a substantial reorganisation was undertaken with effect from 7 March 2010. As part of this reorganisation, the Group's subsidiaries acquired net assets with a total fair value of £375,000,000.

The Directors believe that intangible assets acquired in this transaction of at least £187,000,000 in the Group's subsidiaries should be deductible against taxable profits over the useful lives of the respective assets. This has given rise to £52,360,000 of the exceptional deferred tax credit for the period. Offset against this are accelerated capital allowances and other minor adjustments to create a total net deferred tax credit in relation to the restructuring of £49.9m.

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax asset provided at 2 May 2010 by £1,775,000. This £1,775,000 decrease in the deferred tax asset would decrease profit for the year by £1,775,000. This decrease in the deferred tax asset is due to the proposed reduction in the corporation tax rate from 28% to 27% with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 31 March 2010, would be to reduce the deferred tax asset by £7,100,000 (being £46,151,000 recognised in 2012, £44,377,000 recognised in 2013 and £42,602,000 recognised in 2014).

Dividends (unaudited)

No dividends will be proposed at the Annual General Meeting on 23 September 2010 (2009: nil).

Earnings per share (unaudited)

	2010	2009
	No	No
Number of shares	79,000,020	54,000,020
Weighted average number of ordinary shares outstanding	56,747,273	54,000,020
Earnings		
Profit for the period basic and diluted (£'000)	72,158	7,587
Basic earnings per share (pence per share)	127.2	14.0

In the comparative period the number of shares represents the capital structure at 7 March 2010 as determined in accordance with the application of predecessor accounting.

There were no share related events after the balance sheet date that may affect earnings per share.

As there are no share options in issue, diluted earnings per share is equal to basic earnings per share.

Deferred income tax assets (unaudited)

Asset/(liability)	**2010**	2009
	£'000	£'000
Accelerated capital allowances	(2,928)	-
Temporary differences (losses)	459	-
Recognition of lease incentives	550	-
Deferred tax arising on subsidiary entities following business acquisitions	51,555	-
Revaluation of derivatives and forward exchange contracts to fair value	66	-
Total deferred income tax assets	**49,702**	**-**

Recognition of deferred income tax assets is based upon the generation of future taxable profits.

Net Cash/(Debt) (unaudited)

Analysis of net cash/ (debt) 2 May 2010	**May 09**	**Cashflow**	**Other non cash changes**	**May 10**
Cash and short term deposits	777	28,592	(10)	29,359
Overdrafts	(2,520)	1,192	-	(1,328)
Cash and cash equivalents	**(1,743)**	**29,784**	**(10)**	**28,031**
Bank loans	(1,924)	1,924	-	-
Loan from related party	(2,533)	156	2,377	-
Finance lease liabilities	(63)	21	-	(42)
Revolving credit facility	(942)	942	-	-
Total net cash/ (debt)	**(7,205)**	**32,827**	**2,367**	**27,989**

Other non cash changes comprise foreign exchange losses and settlement of a related party loan via the members capital accounts prior to 7 March 2010.

END

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