Alexon Group PLC
26 September 2005

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ALEXON GROUP PLC

Interim Results for the 26 weeks ended 30 July 2005

Alexon Group plc, the leading retailer of ladieswear, menswear and shoes, announces Interim Results for the 26 weeks ended 30 July, 2005.

These results have been prepared in accordance with International Financial Reporting Standards (IFRS) that are expected to be applicable to the 2005/06 full year financial statements. Comparative figures have been restated accordingly. As permitted, the interim financial statements have been prepared in accordance with the UK listing rules and not in accordance with IAS 34 ' Interim Financial Reporting'. Detailed reconciliations of equity and profit following the adoption of IFRS are available on the Group's website at

www.alexon.co.uk

. A summary of these reconciliations appears in note 6.

Key Points

- Overall sales of £197.7m (2004: £197.9m) and like for like sales down 1%;

- Operating profit of £7.8m (2004: £10.9m);

- Basic earnings per share of 9.45p (2004:13.74p);

- Interim dividend declared of 3.00p per Ordinary Share (2004: 2.83p);

- Share buyback programme continued with 980,000 shares purchased for cancellation for an aggregate sum of £2.7m.

John Osborn, Chief Executive, commented:

'Although 2005 is proving to be a challenging year, we believe that our diversified portfolio of brands will stand us in good stead in the difficult retail environment which currently prevails.'

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CHIEF EXECUTIVE'S REPORT

Results

Overall sales were level with the prior year, with like for like sales down 1%, a reflection of the challenging trading environment faced by all four Divisions in the first half of the year. Gross margins were slightly higher than the prior year.

Weak performances from Dolcis and Menswear, the loss of business arising from the demise of Allders, and significant increases in host store commission rates contributed to an IFRS group operating profit of £7.8m (UK GAAP £8.2m before goodwill amortisation) compared with IFRS £10.9m (UK GAAP £11.2m) last year.

Alexon Brands

Alexon Brands put in a sound performance on its continuing business, with like for like sales growth of 2.8%, coupled with a modest increase in gross margins. The operating profit for the half was £9.2 million (UK GAAP £9.5m) compared to £10.1 million (UK GAAP £10.3m) in the prior year.The Division was hit by the loss of 73 Allders concessions, which impacted at the beginning of the second quarter, and increased concession commission rates. Profits were also affected by increased host store commission rates. The strongest performances by brand came from Eastex, which is geared to the older customer and is particularly resilient in a tougher retail climate, and Alex & Co., which has successfully replaced the eponymous Alexon brand.

Dolcis

Dolcis had a difficult half recording an operating loss of £0.9 million (UK GAAP £0.8m), compared with a profit of £0.8 million (UK GAAP £0.9m) in the prior year. Like for like sales were down 9% and lower margins resulted from the need to clear surplus stocks. There were a number of contributory factors - reduced demand for shoes as a fashion item and increased competition from garment retailers strengthening their shoe offer. Our response has been to strengthen our buying team and to increase the fashion content and appeal of our ranges, the effects of which should be felt in Spring 2006.

Menswear

Menswear recorded an operating loss of £1.5 million (UK GAAP loss of £1.5m) against a loss of £0.3 million (UK GAAP loss of £0.3m) for the prior year. Like for like sales were down 6%. Gross margins were slightly higher. Whilst concession sales were strong, Envy suffered from weak performances from third party brands and a significant growth in the number of competitors in its sector. Going forward, we intend to increase the proportion of own brands (already performing well in our concession business) and thereby enhance margins.

Bay Trading

Bay Trading increased its operating profit to £1 million (UK GAPP £1m) compared with £0.4 million (UK GAAP £0.4m) in the prior year. Whilst like for like sales were 1% down, gross margins were significantly ahead, the result of improvements in range acceptability. Much work has been done to strengthen the design content and appeal of the ranges, resulting in higher average prices and lower levels of markdown. The Division also benefited from a number of strong trends in the younger fashion market.

Outlets

Given below is a summary of outlets as at 30 July 2005.

	UK Shops	UK Concessions	European Concessions	Tota
Alexon Brands	78	807	140	102
Dolcis	67	139	6	21
Bay Trading	156	46	15	21
Style	60	65	1	12
Total	361	1,057	162	1,58

Current Trading

Group like for like sales for the first seven weeks of the half are 2.7% down on last year. Whilst August sales were boosted by the successful clearance of residual stocks, sales in the last three weeks have been disappointing, reflecting tougher trading conditions and weak consumer demand. How long this will continue is impossible to predict at this stage.

Shareholder Returns

During the course of the half, 980,000 shares were purchased for cancellation for an aggregate sum of £2.7 million.

The Board is declaring an interim dividend of 3.00p per Ordinary Share (2004 equals 2.83p) payable on 30th November 2005 to shareholders on the register at 4th November 2005.

John Osborn

Chief Executive

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Note	26 weeks to 30 July 2005 £000's	26 weeks to 31 July 2004 £000's
Revenue	2	197,662	197,944
Cost of sales		(177,491)	(175,137)
Gross profit		20,171	22,807
Administrative expenses		(5,570)	(5,345)
Distribution costs		(6,850)	(6,547)
Operating profit	2	7,751	10,915

Finance income			267	220
Finance expense			(130)	(123)
Profit before tax			7,888	11,012
Taxation			(2,474)	(2,857)
Profit for the financial period			5,414	8,155
Earnings per share :	basic	3	9.45p	13.74p
	diluted	3	9.34p	13.38p

UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	26 weeks to 30 July 2005 £000's	26 weeks to 31 July 2004 £000's	29
Profit for the financial period	5,414	8,155	
Equity dividends	(3,225)	(3,064)	
Retained profit	2,189	5,091	
Actuarial gain/(loss) arising in defined benefit pension scheme	373	(539)	
Taxation arising on actuarial gains/ (losses)			

	(112)	1
Tax on items taken directly to equity	-	175
Total recognised income for the period	2,450	4,728

UNAUDITED CONSOLIDATED BALANCE SHEET

		As at 30 July 2005		31 July 2004	As at	2
	£000's	£000's	£000's	£000's	£000's	
ASSETS						
Non-current assets						
Goodwill	37,174		37,174		37,174	
Property, plant and equipment						
	19,877		19,859		20,866	
		57,051		57,033		
Current assets						
Inventory	62,080		60,973		55,307	
Trade and other receivables	27,893		27,551		28,355	
Balance sheet derivatives	1,198		-		-	
Cash and cash equivalents	4,969		4,902		10,686	
	96,140		93,426		94,348	
LIABILITIES						
Current liabilities						
Trade and other payables	(45,604)		(47,478)		(44,307)	
Current tax liabilities	(3,123)		(4,342)		(3,403)	

Net current assets	47,413	41,606
Non-current liabilities		
Creditors falling due after more than one year	(2,760)	(2,958)
Retirement benefit obligations	(4,250)	(5,044)
Provisions	(2,388)	(3,045)
Net assets	95,066	87,592
Shareholders' equity		
Ordinary shares	5,832	6,114
Share premium	37,905	37,109
Capital redemption reserve	3,004	2,716
Hedging reserve	789	-
Retained earnings	47,536	41,653
Total equity	95,066	87,592

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

	Note		26 weeks to 30 July 2005		26 weeks to 31 July 2004	
		£000's	£000's	£000's	£000's	£0

Cash flows from operating activites						
Cash generated from operations	4		4,515		10,293	
Interest paid			(130)		(157)	
Tax paid			(2,686)		(2,448)	
Net cash flow from operating activities			1,699		7,688	
Investing activities						
Interest received		162		117		
Purchase of property, plant and equipment		(1,914)		(2,057)		(6,
Costs of disposal of property, plant and equipment		(65)		(20)		
Cash flows from investing activities			(1,817)		(1,960)	
Financing activities						
Proceeds from the issue of shares		10		825		
Purchase of own shares		(2,688)		(4,950)		(11,
Repayment of loan notes		-		(548)		(
Equity dividends paid		(3,225)		(3,064)		(4,
Capital element of finance lease payments		-		(73)		
Interest element of						

finance lease payments	-	(2)
Cash flows from financing activities	(5,903)	(7,812)
Net (decrease)/increase in cash and cash equivalents	(6,021)	(2,084)
Cash and cash equivalents at the beginning of the period	8,626	1,426
Cash and cash equivalents at the end of the period	2,605	(658)

Notes to the unaudited financial statements

1 Basis of preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are expected to be applicable to the consolidated financial statements for the 52 weeks ending 28 January 2006. IFRS is subject to ongoing review and possible amendment or interpretive guidance and therefore subject to change.

Details of the amended accounting policies applied to these financial statements are given in note 6.

These interim financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Comparative figures for the 26 weeks to 31 July 2004 and 52 weeks to 29 January 2005 have been restated to reflect the changes required by IFRS and are not the Group's statutory accounts for those periods.

IFRS1, First time adoption of International Financial Report Standards, sets out the requirements for companies preparing financial statements under IFRS for the first time and requires the accounting policies to be applied retrospectively. IFRS1 allows companies certain exemptions to the requirement for retrospective application and the Group has chosen to apply the following :

- the provisions of IFRS2, Share based payments, have been applied only to those options granted after 7 November 2002;

- cumulative actuarial gains and losses relating to the defined benefit pension scheme have been recognised in full at the date of transition and all subsequent gains or losses have been taken directly to equity through the statement of recognised income and expense;

- the provisions of IAS32 and IAS39 relating to financial instruments have been applied from 30 January 2005.

2 Turnover and operating profit

Turnover and operating profit comprise :

	Turnover		Operating profit/(loss)	
	26 weeks to 30 July 2005 £000's	26 weeks to 31 July 2004 £000's	26 weeks to 30 July 2005 £000's	26 weeks to 31 July 2004 £000's
Alexon Brands	98,189	96,356	9,165	10,088
Dolcis	31,354	33,260	(882)	785
Bay Trading	40,620	40,419	983	373
Style Menswear	27,499	27,909	(1,515)	(331)
	197,662	197,944	7,751	10,915

3 Earnings per share

The calculation of basic earnings per share is based on profits of £5,414,000 (2004 : £8,155,000) and on 57,289,489 ordinary shares (2004 : 59,369,061) 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.

	26 weeks to 30 July 2005			26 weeks to 31 July 20	
	Earnings (£)	Weighted average number of shares	Per share pence	Earnings (£)	Weighted average number of shares
Basic earnings	5,414,000	57,289,489	9.45	8,155,000	59,369,061
Effect of dilutive securities :					
options	-	676,027	(0.11)	-	1,576,718
Diluted earnings	5,414,000	57,965,516	9.34	8,155,000	60,945,779

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

	26 weeks to 30 July 2005 £000's	26 weeks to 31 July 2004 £000's	2
Operating profit	7,751	10,915	
Depreciation	2,785	2,683	
Loss on disposal of tangible fixed assets	183	107	
(Increase)/decrease in inventories	(6,773)	(4,202)	
Decrease/(increase) in receivables	567	(1,074)	
(Decrease)/increase in creditors	(3)	1,713	
Increase/(decrease) in provisions	5	151	
	4,515	10,293	

5 Statement of changes in equity

	26 weeks to 30 July 2005 £000's	26 weeks to 31 July 2004 £000's
Profit attributable to equity shareholders	5,414	8,155
Equity dividends	(3,225)	(3,064)
Actuarial gain/(loss) arising in defined benefit pension scheme	373	(539)
Taxation arising on actuarial gains/(losses)	(112)	1
Tax on items taken directly to equity	(359)	175
Arising from the revaluation of hedging instruments	1,148	-
Arising on share issues	10	825
Arising on share purchases	(2,688)	(4,949)
Increase in total equity	561	604
Total equity at the beginning of the period	94,505	86,988
Total equity at the end of the period	95,066	87,592

6 Adoption of IFRS

The following tables provide a summarised reconciliation of equity and profit followi
adoption of IFRS. Detailed reconciliations are available on the Group's website at

www.alexon.co.uk

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	26 weeks to 30 July	26 weeks to 31 July	52 2
Reconciliation of profit before taxation			

	2005 £000's	2004 £000's
Profit before tax previously reported under UK GAAP	6,991	10,043
IFRS adjustments		
Goodwill amortisation	1,200	1,200
Share based payments	73	142
Employee benefits - holiday pay	(516)	(514)
- pensions	(41)	(8)
Lease incentives	181	149
	897	969
Profit before tax in accordance with IFRS	7,888	11,012
Taxation :		
Taxation as previously reported under UK GAAP	(2,570)	(3,215)
Tax effect of IFRS adjustments	96	358
	(2,474)	(2,857)
Profit for the financial period in accordance with IFRS	5,414	8,155

6 Adoption of IFRS (continued)

Reconciliation of equity	As at 29 January 2005 £000's	As at 31 July 2004 £000's

Total equity previously reported under UK GAAP	96,415	92,650
IFRS adjustments :		
Share based payments	14	168
Employee benefits - holiday pay	(150)	(662)
- pensions	(4,849)	(5,044)
Reverse SSAP24 prepayment	(2,776)	(2,444)
Lease incentives	(2,910)	(3,109)
Dividend recognition	3,269	1,684
Goodwill amortisation	2,400	1,200
Deferred tax	3,092	3,149
Total equity in accordance with IFRS	94,505	87,592

Revised accounting policies adopted as a result of the application of IFRS are given below. All other accounting policies are consistent with those disclosed in the Group's published Annual Report and Accounts for the 52 weeks ended 29 January 2005.

Share based payments

In accordance with IFRS2 all equity-settled share based payments are charged to income. Share options granted after 7 November 2002 have been fair valued using the Black-Scholes option pricing model and are charged evenly over the vesting period. Shares awarded under the long term incentive scheme are fair valued at the date of grant and charged to income on a straight line basis over the vesting period. The proportion of the award that is likely to vest is assessed at each period end and an adjustment is made in the current period to reflect any variation from previous assessments.

Employee benefits

The costs of providing pensions under the Group's defined benefit scheme are calculated using the projected unit credit method and are charged to income so as to spread costs evenly over the employees' working lives. Actuarial gains and losses are recognised in the statement of recognised income and expense in the period in which they arise.

Contributions to funded unapproved retirement benefit schemes and money purchase schemes are charged to income in the period in which they arise.

The cost of accrued but unused holiday entitlement is assessed at each period end and charged to income accordingly.

Goodwill

Goodwill, being the difference between the cost of acquisition and the fair value of assets acquired, is tested for impairment annually, and at other times when there are indications that the carrying value may not be recoverable. Any impairment is recognised in the income statement in the period in which it is identified. Goodwill was previously amortised over a period of twenty years and the carrying value at the date of transition to IFRS, I February 2004, is the cost less amounts amortised up to that date.

Lease incentives

All incentives granted at the inception of a new lease are amortised over the lease term.

Dividends

Dividends are not charged to income until formally approved.

Financial instruments

The Group has adopted IAS 32 and 39 with effect from 30 January 2005 and has taken the exemption not to restate comparative information for previous periods. The Group applies hedge accounting rules as they relate to forward foreign currency contracts. In order to qualify for hedge accounting the Group is required to document, from inception, the relationship between the hedging instrument and the item being hedged. The Group must be able to demonstrate that the relationship between the hedging instrument and the item being hedged is highly effective on an ongoing basis. The gain or loss arising from the remeasurement of hedging instruments is recognised directly in equity, and subsequently charged or credited to the income statement in the period in which the hedged transaction affects income.

Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is provided using rates of tax that have been enacted, or substantively enacted, at the balance sheet date. Deferred tax liabilities and assets have not been discounted.

7 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.