Moss Bros Group
Preliminary Results

RNS Number : 5026P
Moss Bros Group PLC
26 March 2009

MOSS BROS GROUP PLC
THE UKs NO.1 BRANDED SUIT SPECIALIST
Preliminary results for the 53 weeks ended 31 January 2009

HEADLINES

Financial

- Pre-tax loss before exceptional items of £5.0m in line with expectations (2008 : Pre tax profit £0.2m)
- Cash balance on 31 January 2009 of £8.1m (2008 : £15.5m); average daily cash balance £5.7m (2008 : £7.5m)
- Group like for like* sales down 3.2% (2.8% excluding Vat)
- Total sales gross margin level with last year
- Total stock reduced 20% to £15.4m with a 25% reduction in stock older than 12 months
- Exceptional items of £4.3m (2008: £1.6m); total loss before tax £9.3m (2008: Pre tax loss £1.4m)
- No final dividend is being proposed
- Current trading: like for like sales in the first six weeks of the current year are behind 9.4% (7.4% excluding Vat), however this has been distorted by the major effects of snow in the opening two weeks; since then like for like sales are behind 5.7% (3.6% excluding Vat); total sales gross margin in the first six weeks increased 2.3% points leaving sales gross profit behind 1.1%

Business Overview

- 6 new stores opened in the year; no further new stores planned at present
- 6 stores re-sited or re-branded in the year; no further re-brandings planned at present
- 6 stores refurbished in the year; 3 branded franchise refits planned
- 3 stores closed in the year as lease terms ended
- Brian Brick appointed Chief Executive Officer on 19 March 2009

Commenting on the results and outlook, Brian Brick, Chief Executive Officer, said:

'The UKs No. 1 branded suit specialist has seen considerable demand for its suits recently (+20% LFL units for the first six weeks) as the nation smartens itself up; the business has quality brands at competitive prices and the customer resorts to businesses they can trust in the face of the worst recession in living memory. The balance sheet remains robust, with ongoing bank facilities in place and we have a strong management team to lead the business through and out the other side of this recession.'

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*Like for like represents financial information for stores open during the current and prior financial periods and compare 53 weeks against 53 weeks.

CHIEF EXECUTIVE'S BUSINESS REVIEW

OVERVIEW

Despite the trading loss before tax, the Group finds itself in a better position than many retailers. The Group has no debt, an ongoing overdraft facility with its bank and tight working capital control. The Group is run by a strong management team with a strategy to outlive the recession and take full advantage of opportunities evident in this challenging economic environment.

Sensible decisions have been taken to pull back on the capital investment programme in the short term and concentrate on existing capital enhancement programmes relating to the Moss Bros Hire business and contracted franchise store refits.

Maintaining a strong cash balance is critical which will be the case for the foreseeable future; proactive negotiations and discussions with all relevant stakeholders have helped to ensure the average daily cash balance is as high as possible. Open and transparent communication with the key credit insurers has and will continue to ensure minimal risk to the continuity of product supply. During the very challenging fourth quarter the Group utilised its overdraft facility for the first time in four years, albeit for a matter of weeks. The Group expects to have to use the agreed facility again at certain points during the period, but forecasts a robust year end cash position.

BUSINESS REVIEW

STORES

BUSINESS KEY PERFORMANCE INDICATORS

The business maintains very close scrutiny of daily and weekly sales performance by fascia, store and product category; sales revenue is a function of transaction volumes, average selling price (ASP) and units per transaction (UPT). These three measures are under constant review and assessment. Store performance evaluation uses sales per square foot, gross margins, and contribution to monitor key trends and results. During the period a commercial audit of all its stores identified the best practices which will form part of an ongoing programme of store performance enhancement. All data derived from these indicators is used to react and plan current and future events.

MAINSTREAM

The Moss stores set about to clarify their product offering and reduce the range on offer with the effect of protecting retail gross margin. As the period progressed and the market took a marked downturn in the third quarter the level of promotions had an impact on margin performance. Like for like* sales recorded a decline of 4.3%, whilst like for like retail gross margin was in line with last year. The margin performance was enhanced through the careful choice of suppliers across all product categories and the consolidation of volume into fewer suppliers. The Group continues to take Moss away from the highly competitive low price end of the menswear market to offer value and quality.

Expansion Plans

Management has sought to pull back on the expansion plans set out four years ago, in light of the deteriorating macro economy. Three new stores were opened during the period in Swansea, Bolton and Kensington, London; the latter being converted from a Cecil Gee store. One store was also relocated into a more prime retail site. No new stores have been identified for opening in 2009 although the desired locations for new stores identified four years ago still stands. If stores become available in identified locations at both favourable terms and minimal impact on cash flow, management will consider their commercial viability.

Refits

The strategy for all non-refitted stores across the Moss fascia to undergo a store refit over the next three years remains. The pace and intensity of this refit programme will be dictated by the depth and length of the recession. Three stores were refitted in 2008 and at this stage a similar number are expected to be refitted in 2009.

Factory Outlets

Factory outlets came under greater pressure due to macro economic conditions; inflated fuel prices in the middle of the period curtailed the use of cars and lowered footfall in the out of town locations; high streets sought to regain some of the lost sales in the third and fourth quarter mainly through price reductions which narrowed the price differential between high street and outlets thereby removing the appeal to customers of the factory outlets. Like for like* sales were behind 10.6%. To generate interest and customer attention the outlets sought to offer attractive promotions which lowered like for like retail gross margin by 2.1 percentage points.

Following the success of the Kildare outlet in Southern Ireland, a new outlet was opened just across the border in Northern Ireland. This outlet has also performed well since opening. The strategy for new outlet stores is the same as that laid down four years ago for high street stores but the current conditions for these high street opportunities equally applies to the outlets.

FASHION

Customer demand for big branded fashion product was still very evident throughout the year, but as the year progressed and the recession took hold, customer demand needed some stimulus with some very attractive price offers. The net result saw like for like* sales decline 1.3%, whilst like for like retail gross margin was lower by 1.6 percentage points.

Hugo Boss

The Group now operates 16 Hugo Boss stores in the UK. During the period three new stores were opened in Canary Wharf, Eldon Street London and Lakeside shopping centre; the latter converted from a Cecil Gee store. In addition two, stores were refitted in line with the brand franchise agreements. Hugo Boss is an immensely strong global brand which still retains its loyal customer base even in the midst of a recession. The Group works alongside the brand in the UK sharing ideas and initiatives which continue to drive impressive sales figures from this fascia. Three stores will be refurbished in 2009 in accordance with the franchise agreements.

Canali

The continuing success of the Canali retail franchise in the UK led to a second store being opened in Eldon Street, London. There is still further opportunity to expand this brand in the UK with potential new locations identified which, it is hoped, will lead to further openings in the future subject to macro economic constraints. The Group is continually working with this stylish brand to increase the awareness of individuals to its luxury tailoring.

Simon Carter

This English tailoring brand is slowly collecting a band of loyal customers who respect and understand the quality of product and the statement of fashion it makes. The depth and length of the recession in the UK will determine the pace and extent of further expansion, if any, with this recent addition to the Group's franchise business.

Cecil Gee

Cecil Gee came under intense pressure during the third and fourth quarter as the UK and global downturn took hold and customers held back on purchases. The strategy to simplify the product and brand offering and reduce the complexities across the business led to the Group assessing the options for Cecil Gee during the period. Due diligence concluded that the likely sale proceeds from any transaction would not meet the Board's view of valuation. The strategy for Cecil Gee is still being finalised and in the meantime the fascia is being slimmed down to operate from nine stores; four stores were converted to alternative fascia and one store closed at the end of its lease during the period.

HIRE

Moss Bros Hire is the number one recognised brand name in the UK hire market. The brand performed very positively for the first three quarters with the growth of morning wear, highland wear and black tie very apparent; the business recorded its best ever Royal Ascot performance. The fourth quarter however took a marked turn for the worse, predominantly in the hire of black tie formal wear as financial markets dictated the cancellation of significant numbers of black tie events across the country. Like for like* sales recorded an increase of 0.8%.

The investment of £1.8m to introduce a new Hire supply chain infrastructure is progressing well and will be installed in two stages with the aim for it to be fully operational by December 2009. The brand status is planned to grow further in 2009 as the Group proactively looks to expand the School Prom market in this country and pick up market share as more and more independent hire businesses find it increasingly tough to adjust to the UK recession.

INTERNET SHOPPING

Moss.co.uk saw its first full period and the business sought to ensure it has been given the best chance of success by investing appropriately for a new sales channel launch. The foundation has been laid to allow the site to attain a greater number of visitors to the site and facilitate greater numbers of customer conversion.

SUPPLY CHAIN

The business has over the last two periods moved the mix in its product supply source from mainland Europe into China and achieved a greater intake gross margin as a result. The buying team is continually assessing existing suppliers, supply routes and supply options to ensure the most commercially beneficial results for the Group. The onset of higher product costs in the second half of 2009, as the exchange rates around the world turn against Sterling, has been planned for. Purchasing unit costs had already been agreed for the first half of 2009 before exchange rates moved adversely.

DISTRIBUTION CENTRE

The efficiency of the distribution centre is continually being challenged to ensure product is moved through it in the most effective manner. The introduction of hire full order make-up in the distribution centre rather than in the stores, has meant a favourable shift in the use of the available space and forced far greater efficiencies to be delivered from other activities.

IMPROVING OPERATIONAL EFFICIENCY

As the retail sector contracts with the ongoing recession, it is vitally important to have all the correct ingredients to grow one's own market share. Customers demand new and fashionable product, looking for value for money and quality as a prerequisite. Having the right environment is imperative for customers to be able to experience the depth of the product offering; the Group has taken great strides in all these areas and will continue to do so in the future. All this can be wasted if the Group does not have the quality of staff needed to sell the product, particularly as a specialist product retailer.

Human capital development is at the top of management's list of objectives and it remains a key part of the Group's strategy to develop people within the business. This applies to people at every level and across every function. The totally collaborative approach between all functions to bring stock to the consumer gets enormous focus on a daily basis; there is always room for improvement no matter what level of success is achieved and continuous training takes place to ensure this objective is met. One area of particular focus in the period has been the customer experience in store and to this end mystery shopers have been used to obtain feedback for the stores; as a direct consequence of this initiative UPT achieved was 2.00 across the entire Group which is an increase of 6% from the prior period.

RISKS AND UNCERTAINTIES

CASH AND FUNDING

Cash and funding are the key risks in the current uncertain macro economic climate made more acute with the lack of liquidity in the UK banking sector. Cash balances are managed and monitored on a daily basis; the peaks and troughs in the cash cycle are well known through experience and appropriate cash management takes place to limit the use of the ongoing banking facilities in place; despite the slowdown in trading during the period the average daily cash balance was still £5.7m. Going forward into 2009 this daily practice is to be maintained.

The Board of Directors has undertaken a recent thorough review of the Group's budgets and forecasts and has produced detailed cash flow projections which take account of reasonably possible changes in trading performance. These cash flow projections show that the Group should be able to operate within the level of its current uncommitted £5m overdraft facility which expires on 1 December 2009. The Group will seek to renew the facility in due course although at this stage has not received any indication that the facility will not be renewed. The Group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

STOCK AND CONTINUITY OF SUPPLY

Demand forecasting, inventory ordering and inventory intake is totally aligned to the cash management focus discussed above. The placing of all orders is subject to diligent product demand forecasting models and ongoing rates of sale of all product lines. The net result of this approach is a 20% reduction in inventory to £15.4m and a 25% reduction in inventory older than twelve months compared to the previous period end.

The consolidation of supply into fewer suppliers creates sufficient scale to mitigate the risk of suppliers going out of business in the short to medium term. Negotiations take place regularly with key suppliers regarding rate and payment terms, always mindful of the need for partnership to ensure continuity. Proactive dialogue is maintained with supplier credit insurers to ensure they have the relevant and most current information on which to base their insurance levels.

PROPERTY

The business operates from a portfolio of high street, shopping centre and factory outlet stores all held under operating leases. Each store is evaluated annually to assess its ongoing commercial viability. There are a number of locations in the UK and Ireland, which would suit one of the businesses' fascias, and the Group engages property agents to identify opportunities for the development of its store portfolio. In the current macro environment, even more stringent and enhanced financial hurdles are required to be met before any consideration is given to new stores.

STAFF HIRING AND RETENTION

The Group has the reputation for attracting some of the brightest young talent in fashion and it tries to ensure that it not only maintains this attraction but also retains this talent. There is a strong capability, passion and drive at all levels in the business to ensure that the Group will come out of the current recession ideally placed to take full advantage of a recovery.

RETAIL MARKET DOWNTURN

Management is planning for the current period to be tough and challenging and has already prepared the business, where possible. The expected downturn is taken into account in planning the cash flow forecasts for the current period; there are a number of actions which the Group can take to mitigate the impact on cash of any further unexpected market downturn.

FINANCIAL REVIEW

			2008/09
TRADING RESULTS	1st half	2nd half	Full year
Revenue v last year (like for like)*	-2.6%	-3.8%	-3.2%
% Gross profit	56.0%	51.0%	53.4%
% Gross profit v last year	+0.4%	-2.1%	-0.9%
Adjusted (loss) before taxation and exceptional items	£(1.6)m	£(3.4)m	£(5.0)m
Loss before taxation	£(2.2)m	£(7.1)m	£(9.3)m

* Like for like represents financial information for stores open during the current and prior financial periods and compare 53 weeks against 53 weeks.

The latter part of the third quarter and the majority of the fourth quarter were extremely challenging and mirrored the general state of the UK macro economy. The opportunity to mitigate this scale of sales shortfall with cost reductions in a retail business of this size and with largely fixed operating costs is limited.

REVENUE

The high end price product continued to see increases despite the challenging retail sector in quarters three and four, largely driven by a good end of season sale in the fourth quarter. This is borne out by the full period performance of both Hugo Boss and Canali, which saw like for like* sales increases of 0.4% and 6.3%. Cecil Gee however felt the full brunt of the recession with a like for like* sales decrease of 6.4%.

Moss fared better than the outlets as external factors kept footfall low in the out of town outlet villages. Intense sales training in the Moss stores helped to limit the small reduction in average transaction value by lifting units per transaction by 7%.

GROSS MARGIN

Gross margins for the majority of fascia were ahead approaching the end of the third quarter of the period; this was largely due to improved buying rates and the lower amount of old inventory held across the business which did not need to be sold at low prices.

However, as the depth of the recession increased through the end of the third quarter and across the fourth quarter, the need to offer attractive promotions to stimulate customer demand pulled gross margin lower. The net effect for the period was a reduction in pre exceptional gross margin by 90 basis points compared to the prior period.

OPERATING COSTS

Administrative expenses, shops selling and marketing costs ('operating costs') increased by 7.8% in the period, 5.0% after adjusting for exceptional items. After adjusting for new and closed stores, like for like operating costs in the period increased by 3.8%, despite like for like occupancy costs including rent, rates, service charge and utilities increasing by 4.4%. Cost responsibility is operated across the business with continuous action being taken to mitigate as best as is possible the effects of the recession on reducing cash margins.

EXCEPTIONAL ITEMS

The Group incurred £0.4m of professional fees in relation to the indicative offer made by Baugur Group hf. In addition the changes on the Board have meant costs of £0.4m being incurred. During the period the Group chose to exit from a number of stores which produced a net property related loss of £0.2m. The Group has taken steps to reduce duplication and complexity across certain support functions within the business which led to some redundancies during the period. This strategy of simplifying the business is ongoing and will result in further minimum redundancies. A provision of £0.2m has been made in the accounts to allow for these redundancy costs.

An impairment review of assets under International Accounting Standard 36 has meant a write down in fixed asset values of certain stores amounting to £2.4m; at the same time a detailed review of obsolete inventory provisions has been conducted and as a result the provision for obsolete inventory has increased by £0.6m and the Group now considers the basis of the provision to be more in line with the Group's retail fashion peers. Other exceptional adjustments were made which have resulted in a charge totalling £0.1m. A tax credit of £0.4m is applied to the exceptional items resulting in a total exceptional charge after tax of £3.9m.

TAXATION

The tax credit amounts to £0.3m (2008: tax credit of nil).

LOSS PER SHARE

Loss per share: 9.48 pence per share compared to 1.44 pence per share last year.

DIVIDEND

The Board is not proposing a final dividend this period (2008: no final dividend). Management believes it is prudent to conserve cash in the current uncertain economic environment.

INVESTMENT

Capital expenditure in the period was £6.5m (2008:£7.6m) and depreciation was £7.4m (2008:£5.7m). This included the opening of six new stores and the refitting or re-branding of twelve stores across all fascias. In addition there was further investment in new Moss Bros Hire inventory of £1.1m (2008: £1.4m), whilst depreciation on hire inventory was £1.6m (2008:£1.7m). The total depreciation charge included a £2.4m exceptional charge (2008:£0.7m) for retail asset impairments relating to a number of stores.

CASH

Despite the lower trading performance, the period-end cash balance is still £8.1m compared to £15.5m last period. Diligent and controlled working capital management has maintained an average daily cash balance of £5.7m.

INVENTORY

The positive impact on the cash balance of having the right amount of the right inventory in the right place dictates the management of inventory balances in the business. A great deal of diligent and focused effort has gone into reducing the inventory levels 20% compared to the previous period end, with little or no direct impact on sales; at the same time the extent of inventory older than twelve months has been reduced by 25%. The net result is an efficient level of inventory which is far more recent in its mix.

TRADE AND OTHER PAYABLES

The terms and conditions with our suppliers are continually being reviewed and adjusted so as to maximise the average cash balance whilst improving the product gross margin.

CONSOLIDATED INCOME STATEMENT
FOR THE 53 WEEKS ENDED 31 JANUARY 2009

	53 weeks to 31 January 2009			52 weeks to 26 January 2008		
	Underlying	**Exceptional items**	**Total**	Underlying	Exceptional items	Total
				(re-presented note 1)	(re-presented note 1&2)	(re-presented note 1)
		(note 2)				
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
REVENUE	**129,684**	**-**	**129,684**	130,171	-	130,171
Cost of sales	**(60,481)**	**(600)**	**(61,081)**	(59,467)	-	(59,467)
GROSS PROFIT/ (LOSS)	**69,203**	**(600)**	**68,603**	70,704	-	70,704
Administrative expenses	**(5,612)**	**(990)**	**(6,602)**	(5,361)	(300)	(5,661)
Shops' selling and marketing costs	**(68,847)**	**(2,691)**	**(71,538)**	(65,560)	(1,250)	(66,810)
OPERATING LOSS	**(5,256)**	**(4,281)**	**(9,537)**	(217)	(1,550)	(1,767)
Financial income	**255**	**-**	**255**	387	-	387
(LOSS)/PROFIT BEFORE TAXATION	**(5,001)**	**(4,281)**	**(9,282)**	170	(1,550)	(1,380)
Taxation	**(41)**	**359**	**318**	(62)	90	28
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(5,042)**	**(3,922)**	**(8,964)**	108	(1,460)	(1,352)
Basic loss per share			**(9.48)p**			(1.44)p
Diluted loss per share			**(9.48)p**			(1.44)p

All revenue and profits relate to the continuing operations of the Group

CONSOLIDATED STATEMENT OF
RECOGNISED INCOME AND EXPENSE
FOR THE 53 WEEKS ENDED 31 JANUARY 2009

	53 weeks to 31 January 2009	52 weeks to 26 January 2008

	£'000	£'000
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(8,964)**	(1,352)

CONSOLIDATED BALANCE SHEET
AS AT 31 JANUARY 2009

	31 January 2009 **£'000**	26 January 2008 £'000
ASSETS		
Intangible assets	**1,849**	1,904
Property, plant and equipment	**27,069**	28,192
Lease prepayments	**2,542**	2,787
TOTAL NON-CURRENT ASSETS	**31,460**	32,883
Inventories	**15,394**	19,179
Trade and other receivables	**6,411**	7,752
Cash and cash equivalents	**8,107**	15,541
Current tax asset	**44**	73
TOTAL CURRENT ASSETS	**29,956**	42,545
TOTAL ASSETS	**61,416**	75,428
EQUITY		
Issued capital	**4,727**	4,724
Share premium account	**8,673**	8,666
Retained earnings	**25,985**	36,177
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	**39,385**	49,567
LIABILITIES		
Other payables	**2,504**	1,290
Deferred tax liabilities	**3,655**	3,897
TOTAL NON-CURRENT LIABILITIES	**6,159**	5,187
Trade and other payables	**15,672**	20,374
Provisions	**200**	300
TOTAL CURRENT LIABILITIES	**15,872**	20,674
TOTAL LIABILITIES	**22,031**	25,861
TOTAL EQUITY AND LIABILITIES	**61,416**	75,428

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 JANUARY 2009

	31 January 2009 **£'000**	26 January2008 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(9,282)**	(1,380)
Adjustments for:		
Finance income	**(255)**	(387)
Amortisation of intangible assets	**516**	350
Impairment of property, plant and equipment	**2,406**	670
Depreciation of property, plant and equipment	**6,113**	6,362
Loss on sale of property, plant and equipment	**18**	-
Decrease in inventories	**3,785**	785
Decrease/(increase) in receivables	**1,341**	(261)
(Decrease)/increase in payables	**(3,588)**	2,850
Taxation received	**105**	-
NET CASH FROM OPERATING ACTIVITIES	**1,159**	8,989
CASH FLOWS USED IN INVESTING ACTIVITIES		
Finance income	**255**	387
Purchase of intangible assets	**(461)**	(547)
Purchase of property, plant and equipment	**(7,169)**	(8,500)
NET CASH USED IN INVESTING ACTIVITIES	**(7,375)**	(8,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(1,228)**	(1,690)
Proceeds from the issue of shares	**10**	312
NET CASH FROM FINANCING ACTIVITIES	**(1,218)**	(1,378)
Cash and cash equivalents at beginning of period	**15,541**	16,590
Decrease in cash and cash equivalents	**(7,434)**	(1,049)
Cash and cash equivalents at end of period	**8,107**	15,541

1. Basis of Preparation

This financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted for use in the European Union under the historical cost convention.

From the Group's perspective, there are no applicable differences between IFRS adopted for use in the European Union and IFRS as issued by the International Accounting Standards Board.

The Group's principal accounting policies are unchanged compared with the 52 weeks ended 26 January 2008.

These consolidated preliminary results have been prepared in accordance with the recognition and measurement criteria of IFRS. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the period ended 26 January 2008.

The financial information set out above does not constitute the Company's statutory accounts for the period ended 31 January 2009 or 26 January 2008, but is derived from those accounts. Statutory accounts for the period to 26 January 2008 have been delivered to the Registrar of Companies and those for the period to 31 January 2009 will be delivered following the Company's Annual General Meeting.

The Company's previous auditors, KPMG LLP, have reported on the accounts for the period to 26 January 2008 and the Company's current auditors, Deloitte LLP, have reported on the accounts for the period to 31 January 2009. Both reports were unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.

The income statement for the 52 week period to 26 January 2008 has been re-presented

(a) as the Directors believe it is more useful to separately identify certain items as exceptional which does not reflect the Group's underlying trading performance and

(b) to reflect a £0.8m re-classification between Administrative expenses and Shops' selling and marketing costs to be consistent with the classification in the current period.

2. Exceptional Items

	2009	2008
	£'000	£'000
Cost of sales:		
Stock provision adjustment	**600**	-
Administration expenses:		
Costs arising from Board restructuring	**367**	-
Redundancy provision	**200**	300
Bid defence costs	**423**	-
Total exceptional administration expenses	**990**	300
Shop selling and marketing costs:		
Other property related losses - impairment charge	**2,406**	670
-cost of exit of leasehold property	**185**	580
Other	**100**	-
Total shop selling and marketing costs	**2,691**	1,250
Tax credit related to exceptional items	**(359)**	(90)

3. Statement of Changes in Equity

	2009	2008
	£'000	£'000
Total equity at beginning of period	**49,567**	52,297
(Loss) for the period	**(8,964)**	(1,352)
Dividends paid	**(1,228)**	(1,690)
Issue of shares	**10**	312
Net movement in equity during the period	**(10,182)**	(2,730)
Total equity at end of period	**39,385**	49,567

4. Earnings per Share

Basic loss per Ordinary share is based on the weighted average of 94,521,817 (2008 - 93,254,586) Ordinary shares in issue during the period (which excludes the shares held by Quest and the shares held by a third party on behalf of the Company) and are calculated by reference to the loss attributable to shareholders of £8,964,000 (2008 - loss of £1,352,000).

In the current and prior periods the weighted average number of ordinary shares was not diluted as this would increase the basic loss per share.