

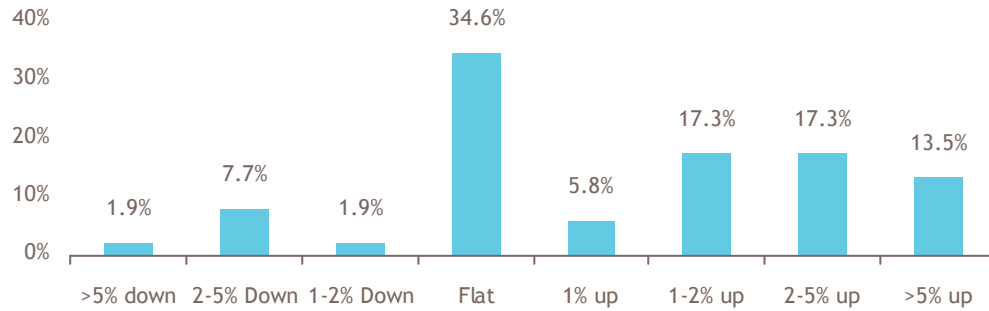


RETAIL TRADING UPDATE 2010...

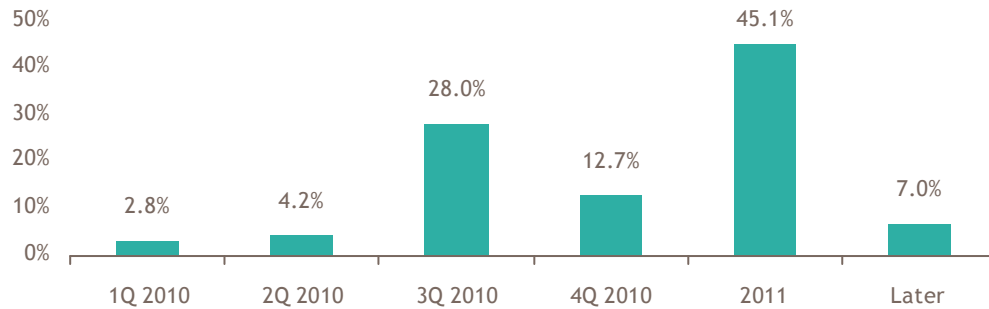
Turning the corner?

2010 PREDICTIONS

What like-for-like sale growth have you budgeted for in 2010?



When do you think we will start hearing people talk with confidence about a recovery in the retail environment?



If you could choose one retailer (private or public) to invest in during 2010 which would it be?

John Lewis

37%

TESCO

14%

PRIMARK

9%

Other retailers mentioned: All Saints, Amazon, Apple, Asos, Bang & Olufsen, Blacks, Carpetright, Clarks, Debenhams, Dunelm, Ikea, JD Sports, Lidl, M&S, Mothercare, New Look, Pets at Home, Sainsbury's, Sports Direct, Super Group, Waterstone's, Wilkinson

- Industry expectations for the next 12 months are for broadly flat or slightly higher sales, with optimists outnumbering pessimists.
- Our survey findings showed that just over a third of respondents are budgeting for flat comparable store sales in 2010, while 40 per cent expect like-for-likes to grow between 1-5 per cent. A further 13.5 per cent are budgeting for growth above five per cent.
- Negative like-for-likes are only expected by 11 per cent of respondents.
- The BDO retail forecast is for like-for-like growth of 1-2 per cent in 2010.

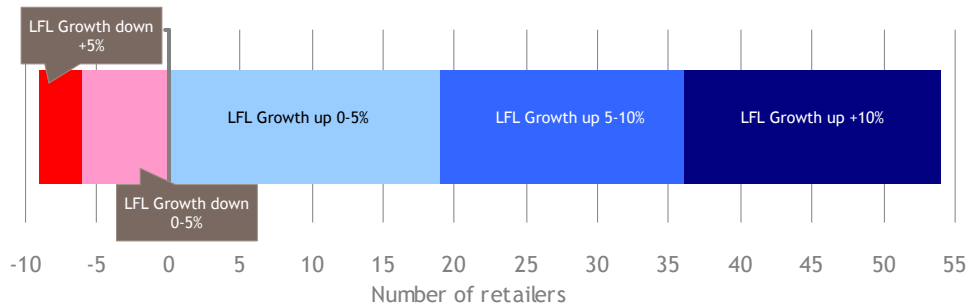
- When it comes to predicting with confidence about a sustained recovery in the retail environment, the consensus of opinion is that this won't occur until 2011.
- However, there are a significant number of optimists (28 per cent) who think we will start hearing people talk with confidence about a recovery in 3Q 2010, with a further 12.7 per cent forecasting 4Q 2010.
- Encouragingly, only seven per cent think sustained recovery will be delayed until after 2011.

- Possibly influenced by its stellar performance over Christmas, John Lewis topped our fantasy poll of retailers to invest in during 2010.
- Tesco took second place, with respondents happy to invest in a retail giant that continues to find ways to grow.
- Primark came third, with its value and fast fashion credentials impressing our respondents.

The survey was conducted across a sample of c400 retailers and industry professionals who attended BDO Retail Trading Update events during January 2010. There were 71 respondents.

CHRISTMAS TRADING UPDATES 2009/10

Overall Christmas Like-for-Like Sales Performance

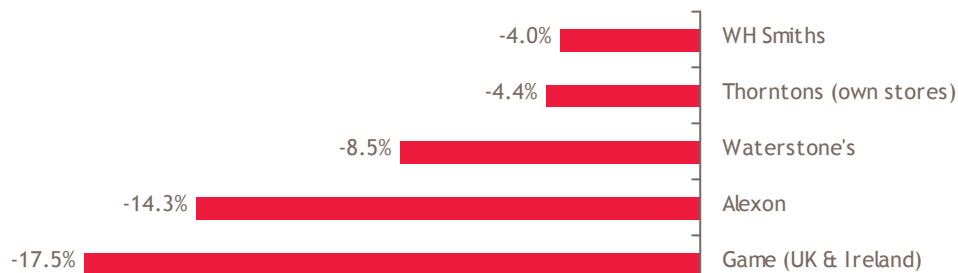


Top Christmas Performers



Like-for-Like Growth

Bottom Christmas Performers



Like-for-Like Growth

- Inline with our predictions Christmas trading was, for the vast majority of retailers, remarkably strong given the underlying economic conditions. Of the retailers who have publicly released data, just nine have reported negative like-for-likes, against 54 positive.
- Reduced levels of discounting, helpful seasonal weather, plus some pull forward of demand due to the New Year VAT increase, were the main reasons behind this performance. Some retailers also benefited from diminished competition, while weak 2008/09 comparisons also flattered results.
- Looking forward, retailers are remaining cautious with downbeat predications dominating Christmas trading statements.

- Online retailers once again topped the charts with Asos and Ocado leading the way. Multi-channel retailing is becoming more embedded with consumers every year with total online sales +17 per cent this Christmas.
- Hip fashion retailer Super Group also achieved elevated growth for a second Christmas in a row, while sales also surged at Shoe Zone. In general the cold-weather was very helpful to fashion retailers with footwear chains doing especially well.
- Luxury was another winner with upmarket jeweller Thee Fennell the top performer.

- The low point in the game console cycle and strong prior year comparisons negatively impacted Game. However, despite this fall gross margins were lifted, a trend which was also implemented by Thorntons and WH Smiths.
- Alexon suffered a double-digit fall reflecting the fact that its mature customers avoided the high street this year given the icy weather.

How long is the Christmas trading period?

There is no official definition of when the Christmas trading period starts and ends. Although a 5-6 week period up to the first week of January is the most common time frame used, retailers do report across longer or shorter intervals.

CHRISTMAS TRADING UPDATES 2009/10

Retailer	Like-for-Like Change 2009	Gross Margin Change (bps)	No Weeks	Period End	Like-for-Like Change 2008	Outlook
Asos	30.0%	+80	5	3/1/10	118.0%	We continue to trade in line with the board's expectation and remain confident for the outcome for the full year
Ocado	30.0%		4	26/12/09	25.0%	The pace at which customers are embracing the convenience of grocery shopping online continues to increase
Super Group	29.0%		5	3/1/10	27.0%	
Shoe Zone	27.0%		5	2/1/10	-	
Theo Fennell	25.0%		4	24/12/09	-21.0%	
M&M Direct	21.0%		10	3/1/10	-	
Office	19.0%		6	4/1/10	5.4%	
Foyles	18.9%		4	27/12/09	-	
Dune	17.4%		9	2/1/10	-	...feeling better than last year but it is not a case of running away with things but keeping a close eye going forward
IMRG Capgemini e-Retail Sales	17.0%		5	31/12/09	14.2%	
Peacocks	17.0%	Enhanced	8	2/1/10	1.0%	
Dunelm	15.4%	+200	26	2/1/10	-5.6%	...general consumer spending is likely to be adversely affected by broader economic factors
Blacks Leisure	15.2%		6	7/1/10	-3.9%	
Matalan	13.7%	Improved	5	2/1/10	5.9%	
John Lewis	12.7%		5	2/1/10	0.0%	As the year progresses we expect to see a long slow recovery
Majestic Wine	11.7%		9	4/1/10	-2.9%	
Hamleys	11.6%		6	2/1/10	-	
Republic	11.0%	Ahead	8	4/1/10	6.8%	
HobbyCraft	10.6%		6	3/1/10	-	We look forward to continued growth in 2010
Burberry (Retail)	10.0%		13	31/12/09	-3.0%	
BrightHouse	9.0%		13	24/12/09	-	
Perfume Shop	8.5%		5	2/1/10	-	
Currys (DSG International)	8.0%	-80	12	9/1/10	-12.0%	We expect 2010 to be tough across Europe and notably in the UK given the economic environment
Original Factory Shop	7.7%		13	27/12/09	3.7%	
House of Fraser	7.1%		8	2/1/10	-1.5%	
Primark	7.0%*	Some reduction	16	2/1/10	4.0%	
Pets at Home	6.7%	Improved	6	7/1/10	10.4%	
JD Sports	6.6%	Improved marginally	5	2/1/10	2.8%	The Christmas trading period has again been a good one for the Group
Cash Generator	6.6%		6	2/1/10	-	
Morrisons (excluding petrol)	6.5%		6	3/1/10	8.2%	...we remain cautious on the outlook for consumer spending and we expect the market to remain challenging
Best Buy Europe (UK)	6.3%		13	2/1/10	8.3%	...well positioned operationally for further growth
Shop Direct	6.3%		6	1/1/10	9.0%	...2010 will continue to be challenging in the retail sector
New Look	5.9%	Flat	14	2/1/10	2.8%	...we are well placed to continue our growth and build upon our current success
Topps Tiles	5.5%		14	3/1/10	-18.1%	...believe that 2010 may continue to present a challenging economic environment for consumers

*Like-for-like estimate, total sales +19%

CHRISTMAS TRADING UPDATES 2009/10

Retailer	Like-for-Like Change 2009	Gross Margin Change (bps)	No Weeks	Period End	Like-for-Like Change 2008	Outlook
Tesco (excluding petrol)	5.1%		6	9/1/10	2.5%	
Co-operative (excluding petrol)	5.0%		3	2/1/10	6.0%	...we expect the economic pressures to continue until towards the end of 2010 or the first half of 2011
Ted Baker	4.8%*	+250	8	24/12/09	-10.6%*	The outlook for 2010 is again uncertain but we remain well placed to deal with the challenges ahead
Boots (UK)	4.6%		13	31/12/09	3.0%	
Poundland	4.4%		5	3/1/10	3.9%	
Sainsbury (excluding petrol)	4.2%		13	2/1/10	4.9%	The business continues to perform well in what remains a challenging consumer environment
BDO High Street Sales Tracker	4.2%		5	3/1/10	0.3%	
Mothercare	4.2%		13	8/1/10	1.1%	
British Retail Consortium	4.2%		5	2/1/10	-3.3%	
Homebase (Home Retail Group)	4.0%	-375	18	2/1/10	-10.2%	Due to the uncertain economic outlook, we expect trading for the next financial year to remain challenging
Clinton Cards	3.6%		5	3/1/10	-4.1%	We expect 2010 to be another tough year
N Brown	3.6%	-30	19	9/1/10	8.8%	The outlook for the economy in 2010 remains uncertain
ONS Retail Sales Value	3.6***		5	2/1/10	2.3%**	
Next	3.2%		22	24/12/09	-7.0%	The outlook for the year ahead is particularly hard to gauge at this point in the cycle
Aurum	3.1%		9	3/1/10	-	There is no doubt that 2010 will be difficult for the retailing sector and so we remain cautious for the 12 months ahead
Beale	2.8%		5	2/1/10	-	We expect 2010 to be another challenging year for retailers
HMV (UK & Ireland)	2.2%		5	2/1/10	3.0%	...we remain confident in the outlook for the Group
Jacques Vert	2.1%	Ahead	10	2/1/10	-5.4%	2010 will pose some significant challenges as the fear of higher taxes and the economic outlook may affect consumer spending
M&S (General Merchandise)	1.2%		13	26/12/09	-3.2%	
M&S	0.8%	-50 to -75 full year	13	26/12/09	-7.1%	We expect the trading conditions over the coming year to remain challenging as a result of continuing economic uncertainty
M&S (Food)	0.4%		13	26/12/09	-5.2%	
Debenhams	0.1%	Improved significantly	18	2/1/10	-3.5%	...with the rise in VAT and a general election pending, the consumer environment remains uncertain and difficult to predict
Argos (Home Retail Group)	0.1%	-250	18	2/1/10	-7.5%	Due to the uncertain economic outlook, we expect trading for the next financial year to remain challenging
Halfords	-0.4%	+250	13	1/1/10	-7.8%	...remaining cautious about the wider economic outlook in the near term and its impact on consumer spending
Signet Jewellers	-0.8%	-80	9	2/1/10	-10.9%	
PC World (DSG International)	-3.0%	-80	12	9/1/10	-13.0%	We expect 2010 to be tough across Europe and notably in the UK given the economic environment
Comet (Kesa)	-3.9%	-50	10	8/1/10	-2.5%	
WH Smiths	-4.0%	Increased	21	23/1/10	-5.0%	Although we remain cautious about consumer spending, we have planned accordingly and are confident in the outcome for the full year
Thorntons (own stores)	-4.4%	Higher	14	9/1/10	-6.6%	
Waterstone's (HMV)	-8.5%		5	2/1/10	-2.0%	...we remain confident in the outlook for the Group
Alexon	-14.3%	-80	23	9/1/10	-10.5%	We believe the 2010 economic outlook will remain challenging
Game (UK & Ireland)	-17.5%	+170 to +220 full year	5	9/1/10	10.0%	...remains mindful of the uncertain macro-economic environment
Average	7.0%				1.8%	

*Implied like-for-like growth **Total sales growth

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