

Diploma in Financial Management

Module A Supplement

The information contained in this supplement should be used to answer the questions within the Module A project. The information consists of an article from The Times newspaper and the 2002/03 annual report for the Ted Baker Group which has been reproduced with their kind permission.

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Stores sector hit by downgrades

By Robert Carruthers

THE stores sector yesterday suffered a wave of profits downgrades from analysts as Matalan's gloomy profits warning heightened expectations that poor sales this autumn will hit results across the clothing retail sector.

Shares in Marks & Spencer fell 1p to 277¹/₄p and House of Fraser lost 1¹/₄p to 93¹/₂p, while Next was down 9p at 1101p.

Richard Ratner, analyst at the broker Seymour Pierce yesterday reduced his current year pre-tax profits projection for Marks & Spencer from £760 million to £730 million and for New Look from £90 million to £85 million. Austin Reed, he forecast, will now make no profits at all this year. He also downgraded forecasts for other retailers including Next, Laura Ashley, Monsoon and Alexon. Other analysts were awaiting further trading information before cutting profit projections, although Nick Bubb, an analyst at Evolution Beeson Gregory, predicted that JJB Sports may suffer because of its reliance on sales of coats, jackets and anoraks.

Mr Ratner said that the relatively mild weather during much of November would affect sales throughout the clothing sector, adding that even in the recent colder snap, sales have been sluggish.

He said that the trend might be exacerbated by the recent rise in interest rates and the high level of consumer debt,

noting that with further pressure on consumer spending likely in 2004, the prospects for the retail sector generally looked tough.

Profits forecasts for the clothing sector were poor even before present concerns emerged. The consultancy Verdict Research forecast earlier this autumn that it would be the slowest performing spending area, with 1.8 per cent growth for the last quarter of 2003 compared with last year. Richard Hyman, the chairman, predicted that despite the gloomy outlook, some retailers would continue to prosper, mainly at the expense of others. The young fashion chain Top Shop is believed to be trading strongly, as are Tesco's clothing ranges. The discount retailer Peacocks is also likely to have outpaced much of the rest of the value sector, having issued upbeat interim results at the end of October.

Grim tales from the high street

House of Fraser	Jan 8*
John Lewis	Dec 27
Laura Ashley	Jan 12*
M&S	Jan 14
Matalan	Jan 14
Monsoon	Jan 19*
New Look	Jan 13
Next	Jan 6
Peacocks	Jan 7*

*to be confirmed