

KappAhl

Year-end report 2010/2011

Very weak result

Fourth quarter

(June 2011 - August 2011)

- KappAhl's net sales for the period amounted to SEK 1,208 (1,290) million, a decrease of 6.4 per cent.
- The operating profit was SEK 3 (156) million.
- The gross margin was 54.0 (59.6) per cent and the operating margin was 0.2 (12.1) per cent.
- Profit after tax was SEK -54 (125) million, which is equivalent to SEK -0.72 (1.67) per share.
- Cash flow from operating activities was SEK -97 (222) million.

Full year

(September 2010 - August 2011)

- KappAhl's net sales for the period amounted to SEK 4,974 (5,111) million, a decrease of 2.7 per cent.
- The operating profit was SEK 222 (551) million.
- The gross margin was 58.8 (61.8) per cent and the operating margin was 4.5 (10.8) per cent.
- Profit after tax was SEK 68 (402) million, which is equivalent to SEK 0.91 (5.36) per share.
- Cash flow from operating activities was SEK 95 (507) million.
- New three-year bank agreement.

CEO's comments

We have delivered a weak offer in a weak market. Our range has not sufficiently met our customers' expectations. So we are making a new start as regards our existing customers' needs to ensure that we have them in focus going forward. We must be proud of our customer base and it has great potential for further development. It has been our strength historically and as we look forward there is much to indicate that it will continue to be so. Strategically we do not see that anything has changed for our concept.

We have not been satisfied with the inventory control in the past year. We were too optimistic regarding purchases and too late in running down inventories. During the quarter the composition of inventories has improved but we have more to do before we are content.

We have also negotiated a new loan agreement and the Board of Directors has proposed a new share issue of SEK 600 million.

KappAhl has all the essentials for being successful again but we will probably have to struggle with a weak market for some time.

Christian W. Jansson, President and Chief Executive Officer

Presentation and telephone conference for analysts, media and investors today at 09.00

The presentation will be held at Operaterrassen, Stockholm. To register please visit www.kappahl.com/presentations
To participate by telephone please call +46 (0)8 5065 3937 (Sweden) or +44 (0)20 3106 4822 (United Kingdom)
about 5 minutes before the start and quote the code 4590023.

For further information, please contact:

Christian W. Jansson, President and Chief Executive Officer, phone +46 709 95 02 01
Håkan Westin, Chief Financial Officer, phone + 46 704 71 56 64

For pictures and other information:

Annette Björklund, Head of public relations, phone +46 704 71 55 42, e-mail annette.bjorklund@kappahl.com

KappAhl is a leading fashion chain with 370 stores and 4 800 employees in Sweden, Norway, Finland, Poland and the Czech Republic. KappAhl sells value-for-money fashion with a wide appeal – to women, men and children – and focuses in particular on women aged 30-50 with families. All clothes are from our own designers. KappAhl was the first fashion chain in the world to achieve environmental certification in 1999.



Comments on the fourth quarter

Net sales and results

KappAhl's net sales for the quarter amounted to SEK 1,208 (1,290) million, a decrease of 6.4 per cent. This is explained by: the effect of new and closed stores, +4.0 per cent; change in comparable stores, -9.1 per cent and translation differences totalling -1.3 per cent. The weak sales are largely because the range has not met our customers' expectations.

Growth from new stores is going to plan, which specifies a target interval of 4-6 per cent. In comparable stores the trend is very weak. Only Poland has reported growth in comparable stores, even though it is weaker than in the three first quarters.

Gross profit for the quarter was SEK 652 (769) million, which corresponds to a gross margin of 54.0 (59.6) per cent. The gross margin was negatively affected by the higher than normal percentage of clearance sales resulting from the winter's high inventory level, and by higher purchasing costs. The high percentage of clearance sales also means a negative impact on sales of new goods. The increased purchasing costs are due to suppliers' shortage of capacity, rising raw materials costs and increasing payroll expenses.

Selling and administrative expenses for the quarter totalled SEK 649 (613) million, meaning that the costs for the quarter are lower than in the previous quarter. In addition an impairment loss of SEK 14 million on non-current assets has been recorded referring to unprofitable stores, mainly in Poland.

The operating profit was SEK 3 (156) million, a decrease of 98 per cent. This is equivalent to an operating margin of 0.2 (12.1) per cent. The deterioration in earnings is due both to weak sales and to a lower gross margin.

Depreciation according to plan was SEK 60 (57) million.

Net financial income was SEK -17 (-24) million for the quarter. Profit after financial items was SEK -14 (132) million and the profit after estimated tax was SEK -54 (125) million. Earnings per share for the quarter were SEK 0.72 (1.67).

Other comprehensive income

Unrealised changes in the fair value of the Group's cash flow hedges are reported under 'Other comprehensive income'. These are SEK 29 (-50) million for the period.

Store network

At the end of the period the total number of stores was 369 (345); 159 in Sweden, 99 in Norway, 59 in Finland, 47 in Poland and five in the Czech Republic. A total of four stores were opened and two stores were closed during the quarter.

Cash flow

KappAhl's cash flow from operating activities amounted to SEK -97 (222) million during the quarter and cash flow after investments amounted to SEK -172 (157) million. A severe deterioration in earnings combined with increasing inventories have impaired the cash flow.

Financing and liquidity

Interest-bearing net debt at the end of the period was SEK 2,266 million, compared with SEK 1,866 million as at 31 August 2010. Net interest-bearing debt/EBITDA was 5.1 at the end of the period as compared with 2.4 as at 31 August 2010. The equity/assets ratio fell to 14.9 per cent (22.1), mainly due to dividend paid during the year.

Cash and cash equivalents amounted to SEK 39 (26) million as at 31 August. At the period close there were unutilised credit facilities of about SEK 300 (800) million.

A new three-year loan agreement has been made with the company's banks. Total credit facilities amount to SEK 2,550 million and the interest expense in the coming year is expected to be about 8% of the amount utilised.

The Board of Directors has ensured the support of the principal shareholders for a new issue of SEK 600 million. The purpose of the capital infusion is to strengthen the balance sheet by reducing debt.

Comments on the full year

Market

In the last year the market for retail fashion has been weak. This is mainly due to consumers becoming more careful with their money. The media have been heavily coloured by negative economic news, which has affected consumers' willingness to spend. It is true that disposable income has developed well, but at the same time rising interest rates and rising energy prices have taken part of the scope for consumption. In addition, according to the Swedish Retail Institute (HUI), more money has been spent on purchases of cars and services. Developments in the next year are uncertain.

Net sales

KappAhl's net sales for the year amounted to SEK 4,974 (5,111) million, a decrease of 2.7 per cent. This consists of: new and closed stores, +4.6 per cent; development of comparable stores, -4.3 per cent; and currency translation differences, -3.0 per cent.

Related party transactions

There were no transactions with related parties.

Cash flow

KappAhl's cash flow from operating activities during the year amounted to SEK 95 (507) million and cash flow after investments amounted to SEK -146 (305) million.

Expansion

The work of finding new store sites is proceeding according to plan. Apart from the 369 (345) stores in operation on 31 August this year, there are at present contracts for 47 new stores. Under the new contracts, 12 stores will be opened in the first quarter (September-November) in the coming financial year and another seven during the rest of the financial year. The long-term goal to increase the number of stores by 20 to 25 per year still applies.

Inventories

At the close of the period inventories amounted to SEK 858 million, an increase of SEK 155 million compared with the previous year. The largest proportion of the increase in inventories consists of autumn goods received early and inventories in new stores but to some extent also refers to older goods. Overall, the size and composition of inventories are not deemed to be entirely satisfactory.

Investments

Investments of SEK 241 (202) million were made during the year, mainly in existing and newly opened stores.

Taxes

The tax cost has been negatively affected by not recording a deferred tax asset for losses in Poland and the Czech Republic. The Group has deferred tax assets of SEK 365 million in Sweden, referring to blocked loss carry-forwards that can partly start to be used from 2011/12.

KappAhl

Risks and uncertainties

Purchase prices are rising sharply due to increasing cotton prices, higher wage costs and insufficient capacity. This will probably mean price increases for the customers but can also put pressure on the gross margin in the industry. In recent months cotton prices and the capacity situation have improved, but it will take a number of months before this affects deliveries.

The most important strategic and operative risks that affect KappAhl's operations and industry are described in detail in the annual report for 2009/2010. They consist of such factors as competition in the fashion industry, changes in the economy, fashion trends, store locations and store expansion. The company's risk management is also described in the corporate governance report in the same annual report, under the section "Report on internal controls". The same applies to the Group's management of financial risks, which are described in the annual report for 2009/2010, Note 21. The reported risks are otherwise deemed to be unchanged in all essentials.

Parent company

The Parent Company's net sales for the period were SEK 20 (18) million and profit after financial items was SEK 268 (166) million. The financial items for the period consist of dividend received from subsidiaries totalling SEK 358 (254) million. The Parent Company did not make any investments during the year.

Annual General Meeting

The Annual General Meeting will be held at the company's headquarters in Mölndal on 23 November at 10.00 a.m. The annual report will be available on the company's website at the beginning of November. The Board of Directors has decided to propose to the Annual General Meeting that no dividend be distributed.

Upcoming reports

First quarter (1 September - 30 November)	21 December 2011
Second quarter (1 December - 29 February)	28 March 2012
Third quarter (1 March - 31 May)	27 June 2012

This report has not been audited by the company's auditor.

Mölndal, 30 September 2011
KappAhl AB (publ)

Christian W. Jansson
President and Chief Executive Officer

KappAhl AB (publ) discloses the information provided here pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 30 September 2011 at 07.30 a.m.

KappAhl

Group income statement - Summary (SEK million)	Q4 2010/11	Q4 2009/10	Sep-Aug 2010/11	Sep-Aug 2009/10	Latest 12 months Sep-Aug
Net sales	1 208	1 290	4 974	5 111	4 974
Cost of goods sold	-556	-521	-2 048	-1 954	-2 048
Gross profit	652	769	2 926	3 157	2 926
Selling expenses	-616	-583	-2 560	-2 467	-2 560
Administrative expenses	-33	-30	-144	-139	-144
Operating profit	3	156	222	551	222
Financial income	1	0	1	1	1
Financial expenses	-18	-24	-72	-89	-72
Profit after financial items	-14	132	151	463	151
Tax	Note 1 -40	-7	-83	-61	-83
Net profit	-54	125	68	402	68
Profit attributable to parent company shareholders	-54	125	68	402	68
Earnings per share before and after dilution, SEK	-0,72	1,67	0,91	5,36	0,91
Other comprehensive income					
Net Profit	-54	125	68	402	68
Translation differences for the period	7	-7	-24	-7	-24
Actuarial losses	-19	30	-19	30	-19
Change in fair value reserves	29	-50	-18	55	-18
Tax attributable to other comprehensive income	4	5	14	-22	14
Total other comprehensive income attributable to parent company shareholders	-33	103	21	458	21

Group Balance Sheet - Summary (SEK million)	31-Aug-2011	31-Aug-2011
Tangible assets	996	1 006
Intangible assets*	1 335	1 329
Deferred tax assets	144	156
Inventories	858	703
Other operating receivables	129	139
Cash and cash equivalents	39	26
Total assets	3 501	3 359
Equity	520	743
Interest-bearing long-term liabilities	2 192	1 878
Non-interest-bearing long-term liabilities	9	18
Interest-bearing current liabilities	113	14
Non-interest-bearing current liabilities	667	706
Total equity and liabilities	3 501	3 359
*of which goodwill	696	696
*of which trademarks	610	610

KappAhl

Group cash flow statement - Summary (SEK million)	Q4 2010/11	Q4 2009/10	Sep-Aug 2010/11	Sep-Aug 2009/10
Cash flow from operating activities before changes in working capital	51	188	265	570
Changes in working capital	-148	34	-170	-63
Cash flow from operating activities	-97	222	95	507
Cash flow from investing activities	-75	-65	-241	-202
Cash flow after investments	-172	157	-146	305
Change in bank overdraft facility	167	-147	403	-206
Dividend	0	0	-244	-94
Cash flow from financing activities	167	-147	159	-300
Cash flow for the period	-5	10	13	5
Cash and cash equivalents at beginning of the period	44	16	26	21
Cash and cash equivalents at the end of the period	39	26	39	26

Specification of changes in the Group's equity	Q4 2010/11	Q4 2009/10	Sep-Aug 2010/11	Sep-Aug 2009/10
Opening equity	553	640	743	379
Dividend	0	0	-244	-94
Total comprehensive income	-33	103	21	458
Closing equity	520	743	520	743

Number of stores per country	31-Aug-2010	30-Nov-2010	28-Feb-2011	31-May-2011	31-Aug-2011
Sweden	153	157	157	159	159
Norway	95	99	99	100	99
Finland	56	58	58	59	59
Poland	40	43	43	44	47
Czech Republic	1	3	3	5	5
Total	345	360	360	367	369

Sales per country	Q4 2010/11	Q4 2009/10	Change SEK %	Change local currency %
Sweden	616	671	-8,2%	-8,2%
Norway	338	365	-7,5%	-5,9%
Finland	164	167	-2,0%	2,7%
Poland	83	85	-1,9%	1,8%
Czech Republic	7	2	375,6%	355,2%
Total	1 208	1 290	-6,4%	-

KappAhl

Sales per country	Sep-Aug 2010/11	Sep-Aug 2009/10	Change SEK %	local currency %
Sweden	2639	2 696	-2,1%	-2,1%
Norway	1338	1 419	-5,7%	-0,4%
Finland	616	658	-6,4%	2,3%
Poland	360	331	8,9%	16,4%
Czech Republic	21	7	226,3%	240,5%
Total	4 974	5 111	-2,7%	-

Geografic reporting	Net sales Q4 2010/11	Net sales Q4 2009/10	Operating income Q4 2010/11	Operating income Q4 2009/10
Nordic countries	1 118	1 203	106	223
Other	90	87	-63	-27
Intercompany expenses	-	-	-40	-40
Total	1 208	1 290	3	156

Geografic reporting	Net sales Sep-Aug 2010/11	Net sales Sep-Aug 2009/10	Operating income Sep-Aug 2010/11	Operating income Sep-Aug 2009/10
Nordic countries	4593	4773	494	771
Other	381	338	-96	-48
Intercompany expenses	-	-	-176	-172
Total	4 974	5 111	222	551

KappAhl

Quarterly income statement (SEK million)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Sep-Nov 2007/08	Dec-Feb 2007/08	Mar-May 2007/08	Jun-Aug 2007/08	Sep-Nov 2008/09	Dec-Feb 2008/09	Mar-May 2008/09	Jun-Aug 2008/09
Net sales	1 247	1 132	1 140	1 103	1 266	1 168	1 206	1 226
Cost of goods sold	-450	-457	-413	-420	-452	-490	-478	-473
Gross profit	797	675	727	683	814	678	728	753
Selling expenses	5) -558	-521	-547	-480	-605	-574	-587	-549
Administrative expenses	-33	-36	-35	-32	-33	-39	-32	-28
Other operating income	6) -	-	-	11	-	-	-	-
Other operating expenses	-	-	-	-	-	-	-	-
Operating profit	206	118	145	182	176	65	109	176
Financial income	4) 3	3	21	0	0	1	0	0
Financial expenses	-18	-18	-18	-26	-19	-19	-23	-23
Profit after financial items	191	103	148	156	157	47	86	153
Tax	-53	-29	-36	-43	-44	-13	-24	-47
Net profit	138	74	112	113	113	34	62	106
Operating margin	16,5%	10,4%	12,7%	16,5%	13,9%	5,6%	9,0%	14,4%
Earnings per share, SEK	1,84	0,99	1,49	1,51	1,51	0,45	0,83	1,41

4) After acquired the properties in which the distribution centre and head office are located a finance lease was terminated and gave a positive effect on financial income 23 MSEK in Q3 2007/08

5) Change in pension solution for employees in Q4 2007/08 SEK 20 million.

6) Compensation for vacating a store site in Q4 2007/08

KappAhl

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Sep–Nov	Dec–Feb	Mar–May	Jun–Aug	Sep–Nov	Dec–Feb	Mar–May	Jun–Aug
Quarterly income statement (SEK million)	2009/10	2009/10	2009/10	2009/10	2010/11	2010/11	2010/11	2010/11
Net sales	1 344	1 256	1 221	1 290	1 341	1 188	1 237	1 208
Cost of goods sold	-470	-531	-432	-521	-491	-508	-493	-556
Gross profit	874	725	789	769	850	680	744	652
Selling expenses	-630	-615	-639	-583	-669	-624	-651	-616
Administrative expenses	-37	-34	-38	-30	-35	-40	-36	-33
Other operating income	-	-	-	-	-	-	-	-
Other operating expenses	-	-	-	-	-	-	-	-
Operating profit	207	76	112	156	146	16	57	3
Financial income	0	1	0	0	0	0	0	1
Financial expenses	-18	-23	-24	-24	-17	-15	-22	-18
Profit after financial items	189	54	88	132	129	1	35	-14
Tax	-11	-20	-23	-7	-34	0	-9	-40
Net profit	178	34	65	125	95	1	26	-54
Operating margin	15,4%	6,1%	9,2%	12,1%	10,9%	1,3%	4,6%	0,2%
Earnings per share, SEK	2,37	0,45	0,87	1,67	1,27	0,01	0,35	-0,72

KappAhl

Yearly income statement (SEK million)	Sep-Aug 2006/07	Sep-Aug 2007/08	Sep-Aug 2008/09	Sep-Aug 2009/10	Sep-Aug 2010/11
Net sales	4 473	4 622	4 866	5 111	4 974
Cost of goods sold	-1 738	-1 740	-1 893	-1 954	-2 048
Gross profit	2 735	2 882	2 973	3 157	2 926
Selling expenses	5) -1 985	-2 106	-2 315	-2 467	-2 560
Administrative expenses	1) -142	-136	-132	-139	-144
Other operating income	2, 6) 16	11	-	-	-
Other operating expenses	-6	-	-	-	-
Operating profit	618	651	526	551	222
Financial income	4) 23	27	1	1	1
Financial expenses	-97	-80	-84	-89	-72
Profit after financial items	544	598	443	463	151
Tax	3) 115	-162	-128	-61	-83
Net profit	659	436	315	402	68
Operating margin	13,8%	14,1%	10,8%	10,8%	4,5%
Earnings per share, SEK	8,78	5,81	4,20	5,36	0,91

1) Reclassification of SEK 4 million between Selling expenses and Administrative expenses in Q1 and Q2 2006/07.

2) Compensation for vacating a store site in Q2 och Q3 2006/07

3) Deferred tax credit 270 MSEK referring to loss carry forwards in acquired companies 2006/07 and 107 MSEK 2009/10.

4-6) See above

Parent company income statement - Summary (SEK million)	Q4 2010/11	Q4 2009/10	Sep-Aug 2010/11	Sep-Aug 2009/10	Latest 12 months Sep-Aug
Net sales	5	4	20	18	20
Cost of goods sold	-	-	-	-	-
Gross profit	5	4	20	18	20
Administrative expenses	-3	-5	-31	-27	-31
Operating profit	2	-1	-11	-9	-11
Result from participations in group companies	0	0	358	254	358
Financial income	6	0	8	0	8
Financial expenses	-29	-18	-87	-79	-87
Profit after financial items	-21	-19	268	166	268
Resultat after appropriations	-21	-19	268	166	268
Tax	24	23	24	23	24
Net profit	3	4	292	189	292

Parent company income statement - Summary (SEK million)	Q4 2010/11	Q4 2009/10	Sep-Aug 2010/11	Sep-Aug 2009/10	Latest 12 months Sep-Aug
Net sales	5	4	20	18	20
Cost of goods sold	-	-	-	-	-
Gross profit	5	4	20	18	20
Administrative expenses	-3	-5	-31	-27	-31
Operating profit	2	-1	-11	-9	-11
Result from participations in group companies	0	0	358	254	358
Financial income	6	0	8	0	8
Financial expenses	-29	-18	-87	-79	-87
Profit after financial items	-21	-19	268	166	268
Resultat after appropriations	-21	-19	268	166	268
Tax	24	23	24	23	24
Net profit	3	4	292	189	292

KappAhl

Key ratios	Q4	Q4	Sep-Aug	Sep-Aug	Latest
	2010/11	2009/10	2010/11	2009/10	12 months Sep-Aug
Growth in sales	-6,4%	5,2%	-2,7%	5,0%	-2,7%
Earnings per share, SEK	-0,72	1,67	0,91	5,36	0,91
Total depreciation/amortisation	60	57	219	234	219
Operating result (EBIT)	3	156	222	551	222
Gross margin	54,0%	59,6%	58,8%	61,8%	58,8%
Operating margin	0,2%	12,1%	4,5%	10,8%	4,5%
Interest coverage ratio	-	-	3,1	6,2	3,1
Net interest-bearing liabilities	2 266	1 866	2 266	1 866	2 266
Net interest-bearing liabilities, excl. Buildings					1 716
Net interest-bearing liabilities/EBITDA	-	-	5,1	2,4	5,1
Equity/assets ratio	14,9%	22,1%	14,9%	22,1%	14,9%
Equity per share, SEK	6,93	9,90	6,93	9,90	6,93
Equity per share after dilution, SEK	6,93	9,90	6,93	9,90	6,93
Return on equity	-	-	10,8%	71,7%	10,8%
Return on capital employed	-	-	8,2%	21,5%	8,2%
Number of shares after dilution	75 040 000	75 040 000	75 040 000	75 040 000	75 040 000

Definitions

Earnings per share	Income after tax divided by average number of shares
Earnings per share after dilution	Profit after tax / average number of shares after full dilution
Interest coverage ratio	EBITDA / Net interest income excluding one-off items, for the previous twelve-month period
Net interest-bearing liabilities	Interest-bearing liabilities less liquid funds
Net interest-bearing liabilities/EBITDA	Net interest-bearing liabilities / EBITDA for the previous twelve-month period
EBITDA	Operating profit before depreciation / amortisation
Equity/assets ratio	Equity divided by balance sheet total
Equity per share	Equity / average number of shares
Return on equity	Net result in per centage of equity
Return on capital employed	Operating profit/loss plus financial income in percentage of capital employed
Capital employed	Balance sheet total less non interest bearing deferred tax liability.

KappAhl

KappAhl's 20 largest shareholders, 31 Augusti 2011	Number of shares	Percentage of shares and votes	Change compared with 31 May 2011
Christian W. Jansson via bolag	12214700	16,28	0
Swedbank Robur fonder	4310701	5,74	340 877
FALKSTENEN AB	3689944	4,92	3 689 944
AVANZA PENSION	2943161	3,92	863 852
SVENSKT NÄRINGSLIV	2100000	2,80	0
SHB: ODIN SVERIGE AKSJEFONDET	1957332	2,61	-58 800
ROBUR FÖRSÄKRING	1585629	2,11	196 366
Handelsbanken fonder	1453976	1,94	1 323 146
Skandia fonder	1224882	1,63	-1 850 145
SVENSKA HANDELSBANKEN CLIENTS ACC:3	1145474	1,53	-968 200
AWILCO INVEST AS	1096000	1,46	-260 000
NORDNET PENSIONSFÖRSÄKRING AB	1072102	1,43	268 617
Catella Fondförvaltning	792300	1,06	155 215
Länsförsäkringar fondförvaltning AB	752137	1,00	-300 000
SEB Investment Management	675000	0,90	200 000
BANQUE ÖHMAN S.A.	667500	0,89	5 500
JP MORGAN BANK	663000	0,88	30 000
SHB: ODIN SVERIGE II AKSJEFONDET	618700	0,82	58 800
SVENSKA HANDELSBANKEN SA	565792	0,75	106 000
RIKSBANKENS JUBILEUMSFOND	550000	0,73	50 000
Övriga	34 961 670	46,60	749 870
Summa	75 040 000	100,00	-

Accounting policies

The Group applies International Financial Reporting Standards, IFRS, adopted by the European Commission. The accounting policies are unchanged in comparison with the latest annual accounts as at 31 August 2010.

This report has been prepared in accordance with IAS 34. For the Parent Company the report is presented in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 of the Swedish Financial Reporting Board.

The company has no outstanding convertible debt instruments or warrants.

Note 1

Acquisition of subsidiaries

In September 2009, 100 % of the shares and votes in KappAhl Mode Holding AB was acquired. The purchase price was SEK 160 million. The fair value of the company's net assets at the time of acquisition was SEK 199 million, of which SEK 10 million was a deferred tax asset. The acquired company is not in operation.

Costs in connection with the acquisition amounted to SEK 1 million and were charged to administrative expenses in the income statement in the first quarter 2009/2010.

After the date of access the subsidiary's possibilities of using existing loss carry-forwards were reviewed. It is estimated that from the 2014/2015 income year it will be possible to use the entire loss carry-forward of SEK 188 million, resulting in the reporting of an additional SEK 39 million as a deferred tax asset and as a deferred tax credit in the first quarter of 2009/2010.

In June 2010, 100 % of the shares and votes in KappAhl Fashion Holding AB was acquired. The purchase price was SEK 113 million. The fair value of the company's net assets at the time of acquisition was SEK 158 million, of which SEK 13 million was a deferred tax asset. The acquired company is not in operation.

Costs in connection with the acquisition amounted to SEK 2 million and were charged to administrative expenses in the income statement in the fourth quarter 2009/2010.

After the date of access the subsidiary's possibilities of using existing loss carry-forwards were reviewed. It is estimated that from the 2015/2016 income year it will be possible to use the entire loss carry-forward of SEK 225 million, resulting in the reporting of an additional SEK 45 million as a deferred tax asset and as a deferred tax credit in the fourth quarter of 2009/2010.

Deferred tax

The tax cost in the fourth quarter of 2010/11 has been negatively affected by not recording a deferred tax asset for losses in Poland and the Czech Republic.