ALEXON

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Directors P.E. Cooper FCA* Chairman

A.H.A. Osborn MA ACIS Chief Executive

R.A.K.W. Piggott MA FCCA ACIS Finance Director and Company Secretary

M.P. Adams*
J. Martin*
J. Herbert*
*Non-Executive

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Company Number 431265

Registrars and Lloyds TSB Bank plc
Transfer Office Lloyds TSB Registrars

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West Sussex BN99 6DA Tel: 01903 502541

Auditors PricewaterhouseCoopers LLP

Bankers Barclays Bank plc

National Westminster Bank plc

Financial Advisors and Stockbrokers

Hoare Govett Limited

Solicitors Ashurst

It gives me great pleasure to report on another year's sound performance, all the more creditable against a difficult trading climate for clothing and footwear.

The Group again enjoyed strong cash inflow during the year, which enabled us to redeem the 6.25p convertible cumulative redeemable preference shares and also to repurchase 900,000 ordinary shares.

The Board are recommending a final ordinary dividend of 5.17p per share to be paid on 30 June 2004 to shareholders on the register on 4 June 2004, making a total of 7.5p for the year, an increase of 25%.

We anticipate that trading conditions will continue to be challenging in the year ahead but remain confident of our ability to further develop the business.

I would like to extend a warm welcome to John Herbert, non-executive director, who brings with him a wealth of experience in retail design.

Finally I would like to thank all our employees for their contribution to the continued success of the business.

Patrick Cooper



RESULTS

Operating profit for the year, before goodwill amortisation and exceptional items, was £32.6 million as against £30.3million for the prior year, an increase of 7.3%. Operating profit after goodwill amortisation and exceptional items was £29.2 million compared to £27.9 million last year.

Group sales for the year were level on a like-for-like basis, with gross margins better than last year. Strong performances came from Alexon Brands and Dolcis; Menswear continued to progress; and Bay Trading, after a disappointing first half, staged a good recovery during the balance of the year.

Despite the slowdown in pre-Christmas trading, the Winter Sale proved successful and stocks ended the year well under control.

In view of the Group's favourable cash position, the 6.25p convertible cumulative redeemable preference shares were redeemed on 29 October 2003 at a cost of £20.3 million, including accrued dividend. In addition 0.9 million ordinary shares were purchased for cancellation at a cost of £2.7 million. The Group ended the year with £0.8 million of net cash.

The exceptional cost of \$984,000 relates to the closure of a manufacturing facility in South Wales. We estimate that this cost will be recovered within eighteen months through reduced sourcing costs.

ALEXON BRANDS

Operating profit* for the division was £22.6 million against £21.0 million last year, the result of like-for-like sales growth and higher gross margins than the prior year. This was a pleasing performance in a difficult market and reflected market share gains at the expense of our competitors.

The strongest performing brands were Minuet, the petite brand, which continued its expansion with a further 22 outlets opened during the year; Eastex, which benefited from the ongoing introduction of more contemporary elements into the range; and Alexon, where the majority of sales are now coming from its more fashionable sub-brand, Alex & Co. Kaliko continued to make good progress. Whilst sales on Dash and Ann Harvey were slightly down on the prior year, changes to the buying teams on both brands are expected to lead to improvements in the current year.

DOLCIS

Dolcis ended the year with an operating profit* of £3.0 million, against £2.0 million in the previous year. This was a pleasing performance reflecting further improvements in the product offer and continued benefits from rationalisation of retail space.

Like for like sales increased by 3.9% over the prior year, achieved on similar margins with the main growth coming from ladies' shoes, which account for 68% of the business. The shoe concessions in Bay Trading and Envy made a useful contribution to Group profit.

BAY TRADING

As reported in the Interim Results, Bay Trading had a disappointing first half due to the narrowness of its fashion offer and overall difficulties in the young fashion market. The business did, however, recover in the second half through the development of product ranges with much broader appeal, and ended the year with an operating profit* of £3.3 million against £4.1 million in the prior year. A total of 23 new outlets, including 19 concessions, were opened during the course of the year.

MENSWEAR

The operating profit* for the division was £3.6 million, as against £3.2 million in the prior year. Whilst like-for-like sales were flat on slightly lower margins than the prior year, the division benefited from the incremental contribution from 26 newly opened shops and concessions.

Envy continued its growth with 7 new openings bringing the total to 57 shops at the year end. Womenswear is now on offer in 27 Envy shops and is being incorporated into all future shop openings.

The year saw the opening of 19 new casualwear concessions in department stores, helping to offset the loss of contribution from Top Man suit concessions, the remaining 24 closing in March 2003

CURRENT TRADING

We are pleased to report that business in the eight weeks ending 27 March is in line with plan, the strongest performances again coming from Eastex, Alex & Co (now the major component of the Alexon Brand) and Minuet. This we believe reflects the growing demand from customers looking for contemporary and stylish fashion, which is less available as the High Street increasingly pursues a young fashion profile.

DIVIDEND

The Group again enjoyed strong cash flow during the year. The Board are recommending a final dividend of 5.17p per ordinary share be paid on 30 June 2004 to shareholders on the register on 4 June 2004, making a total of 7.5p for the year, an increase of 25%.

OUTLETS

A breakdown of outlets as at 31 January 2004 is as follows:

	UK Shops	UK Concessions	**European Concessions	Total
Alexon Brands	81	800	121	1,002
Dolcis	63	125	5	193
Bay Trading	146	62	11	219
Style	57	82	1	140
Total	347	1,069	138	1,554

^{*} Operating profit is before goodwill amortisation and exceptional items – see note 1

John Osborn

^{**} European Concessions includes Eire

The directors present their annual report, together with the financial statements for the 53 weeks to 31 January 2004.

Review of the business

The principal activity of the Group during the period was the retailing of ladies' and men's clothing and footwear.

Turnover for the period increased by 4.5% from £398.4 million to £416.4 million, with like for like sales level. Operating profit before goodwill amortisation and exceptional items increased by 7.3% from £30.3 million to £32.6 million. Operating profit after goodwill amortisation and exceptional items increased by 4.4% from £27.9 million to £29.2 million.

Net funds at 31 January 2004 totalled £0.8 million compared to £8.3 million at the end of the previous period (see note 24). This reduction reflects the Company's decision to redeem the 6.25p convertible cumulative redeemable preference shares at a cost of £20.3 million including accrued dividends, and the repurchase of 900,000 of the Company's own ordinary shares at a cost of £2.7 million.

Results and dividends	0003
The Group profit after tax for the period is	22,174
Ordinary dividend	(4,468)
Preference dividends	(943)
Transfer to reserves	16,763

The proposed total dividend for the period is 7.5p per ordinary share (2003: 6p) amounting to £4,468,000 (2003: £3,546,000).

An interim dividend of 2.33p per ordinary share (2003: 1.33p) was paid on 26 November 2003. The directors recommend a final ordinary dividend of 5.17p per share (2003: 4.67p) amounting to £3,067,000 (2003: £2,756,000).

The final ordinary dividend, if approved, will be paid on 30 June 2004 to ordinary shareholders whose names are on the register on 4 June 2004.

Directors and their interests

The directors of the Company as at 31 January 2004 are shown on page 2.

In accordance with the Articles of Association P.E. Cooper, M.P. Adams and J. Herbert retire from office at the Annual General Meeting and, being eligible, offer themselves for re-election.

The directors have no interests in any contracts with the Company. The interests of the directors in the shares of the Company which require disclosure are given in the Remuneration Report.

Executive directors

John Osborn, MA, ACIS, (Chief Executive), aged 59, joined the Group in 1993. Prior to this he was an executive director of Sears plc with responsibility for British Shoe Corporation and also Managing Director of Sears Womenswear Division. Mr Osborn is currently a non-executive director of Wyevale Garden Centres plc, Whittard of Chelsea plc, and Le Chateau Stores of Canada Limited.

Robin Piggott, MA, FCCA, ACIS, (Group Finance Director), aged 46, joined the Group in 1987 from a subsidiary of Granada Group plc. He was appointed to his present position in September 1995 and is responsible for corporate and financial matters.

Non-executive directors

Patrick Cooper, aged 69, was formerly a director of Goode Durrant plc, a listed industrial conglomerate, and was non-executive chairman of de Morgan Group plc. Before that time he served on the Steel Brothers Holdings plc board, latterly as chief executive. He has also held the posts of director of Sime Darby Holdings Limited (Singapore), chairman of Clive Holdings Limited, and non-executive director of Pubmaster Limited.

Michael Adams, aged 71, was formerly a director of Sears plc, Allders plc and John David Sports plc.

Jim Martin, aged 61, joined the Group in November 2002. Formerly with Unilever and Dunlop he is currently Deputy Chairman of N Brown Group plc, having served for a number of years as Chief Executive. He is also chairman of Ethel Austin Retail Holdings Limited and Stirling Group Limited and a non-executive director of Redrow Group plc. Mr Martin is the appointed senior independent director.

John Herbert, aged 67, joined the Group in January 2004. He was the founder and former Managing Director of John Herbert Partnership (now JHP Design Limited), a design consultancy specialising in the retail industry and whose clients included Marks & Spencer, Selfridges and John Lewis Partnership. He has also served as a director of Aktiva Limited.

Purchase of own shares

Each year, at the Annual General Meeting, a resolution is proposed which allows the directors to purchase a limited amount of the Company's own shares in circumstances which the directors feel would be beneficial to the Company's shareholders. In accordance with this mandate the Company purchased 900,000 of its own 10p ordinary shares during the period, with a nominal value of £90,000, for the sum of £2,714,000 including associated costs. At the date of purchase this number represented 1.5% of the issued ordinary share capital.

Substantial shareholdings

At 20 April 2004 the directors had been notified of interests amounting to 3% or more in the issued ordinary share capital of the Company as follows:

	Holding of 10p ordinary shares	% of issued ordinary share capital
Schroder Investment Management Limited	13,460,260	22.1%
Aegon UK plc	4,101,079	6.7%
Barclays plc	3,967,090	6.5%
Capital Group	3,760,366	6.2%
Newton Investment Management Limited	3,480,559	5.7%
Merrill Lynch Investment Managers Group Limited	3,425,079	5.6%
Mineworkers Pension Scheme	2,565,619	4.2%
Prudential plc	2,196,112	3.6%
Legal & General Investment Management Limited	2,088,582	3.4%
UBS Global Asset Management Life Limited	1,983,024	3.3%
British Coal Staff Superannuation Scheme	1,929,113	3.2%

Waiver of dividends

The Alexon Employee Share Ownership Trust was established in 2001 for the purpose of acquiring shares in the open market to meet obligations of the share based incentive schemes. Under the rules of the Trust the dividends receivable on shares held by the Trust which exceed 0.01 pence per share are waived.

Special business at the Annual General Meeting

The Combined Code on Corporate Governance requires that non-executive directors who have served more than nine years are re-elected annually. M.P. Adams and P.E. Cooper have both served more than nine years and consequently resolutions 4 and 5 will be proposed to satisfy the requirements of the Combined Code on Corporate Governance as well as those of article 106 of the Company's Articles of Association.

The directors may only allot shares or grant rights over shares if authorised to do so by shareholders. The last such authority granted will be replaced by a new authority to be proposed at this year's Annual General Meeting. Accordingly, Resolution No. 7 will be proposed as an ordinary resolution to grant a new authority to allot unissued share capital up an aggregate nominal value of £2,033,100, representing approximately one-third of the total issued ordinary share capital as at 31 January 2004. If given, this authority will expire at the Annual General Meeting in 2005 or on 26 November 2005, whichever is the earlier. Other than in respect of the Company's obligations under its Executive Share Option Scheme the directors have no present intention of issuing any of the authorised but unissued share capital of the Company.

Resolution No. 8 is to approve the directors' remuneration report for the financial period ended on 31 January 2004, which can be found on pages 10 to 15 of this document.

The directors also require additional authority from shareholders to allot shares or grant rights over shares where they propose to do so for cash and otherwise than to existing shareholders pro rata to their holdings. The authority granted at the last Annual General Meeting is due to expire at this year's Annual General Meeting. Accordingly, Resolution No. 9 will be proposed as a special resolution to grant such authority. Apart from rights issues and other pre-emptive offers, the authority will be limited to the issue of shares up to an aggregate nominal value of £304,965 (being approximately five per cent. of the issued ordinary share capital at 31 January 2004). If given, this authority will expire on 26 November 2005 or at the conclusion of the Annual General Meeting in 2005, whichever is the earlier.

Resolution No. 10 will, if passed, renew the authority of the Company to purchase its own shares in the market up to a limit of ten per cent. of its issued ordinary share capital at a price of not less than 10p per share nor more than 105 per cent. of the average price of such shares in the Official List of the London Stock Exchange for the five business days immediately preceding such purchase. The directors will only exercise this power if, and when, they consider that to do so would be beneficial to the interests of the Company's shareholders. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") came into force on 1 December 2003. The Regulations enable companies to hold shares repurchased as treasury shares with a view to possible re-sale at a future date rather than having to cancel them. The Company will consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. However, the directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors, and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Funding and treasury policy

The Group finances its operations by a mixture of cash flows from operations, long-term finance, and short-term banking facilities. The main risks facing the Group are interest rate risk with regard to borrowings, liquidity risk, and foreign currency exposure.

Interest rates are managed on a short term basis, using both fixed and floating rates, as the level of debt fluctuates due to the seasonality of cash flows. Core debt is not considered sufficient to warrant the use of long term fixed rate borrowings or the use of interest rate swaps.

The Group's liquidity or finance risk relates to its ability to fund its day to day operations. Historically, the Group has funded its operations with a combination of equity capital and non-equity preference shares. Following the acquisitions made in 1999 existing funding has been supplemented by loan note and bank funding.

Forward foreign currency contracts are purchased to hedge against falling sterling exchange rates in relation to purchases made in currencies for which the Group does not receive trading income. These transactions relate to known purchase commitments. No hedging transactions are undertaken for currencies in which the Group considers that future expenditure will be covered by future trading income in those same currencies. The Group does not purchase financial instruments of any kind for speculative purposes. The period end position is broadly reflective of the long term financial instruments profile.

Policy on payment of creditors

Payment terms are agreed individually with suppliers and are adhered to unless advantageous early settlement terms are offered. Any changes to this procedure will be agreed with suppliers and any disputes arising will be settled as soon as possible. At 31 January 2004 the value of trade creditors outstanding in the Group was equivalent to 21 days purchases (2003: 18 days). The Company had no trade creditors outstanding as at 31 January 2004 (2003: nil).

Charitable donations

Charitable donations of £1,187 were made during the year (2003: £1,930).

International Financial Reporting Standards

The Group is currently considering the impact of the proposed introduction of International Financial Reporting Standards and working towards their implementation in the financial statements for 2006.

Pension scheme trustees

The trustees of the Alexon Group Amalgamated Pension Scheme are P.E. Cooper, R.A.K.W. Piggott, and D.J.K. Wadham.

Disabled employees

The Group's policy is to give equal consideration to all applicants for employment including disabled people. Career development and training are available to all employees and those who become disabled are afforded every assistance to enable them to continue in their career including retraining where necessary.

Employee involvement

Copies of public documents issued by the Company are made available to employees. In addition regular meetings are held with management and with relevant trade unions to keep them fully informed of the Group's activities so that information can be disseminated to all employees.

By order of the board

R.A.K.W. Piggott

Company Secretary

26 March 2004

For the 53 weeks ended 31 January 2004

Members of the Remuneration Committee

Until 28 January 2004 the Remuneration Committee comprised P E Cooper (Chairman), J Martin, and M P Adams. On 28 January 2004 Mr Herbert replaced Mr Adams on the Committee and Mr Martin was appointed as Chairman.

During the period the Committee received advice from New Bridge Street Consultants in connection with the operation of the Alexon Group performance share plan and the Alexon Group executive share option scheme.

The Committee also takes into account publicly available information, including published salary trend data, in assessing executive directors' base salary and overall benefits.

Remuneration Policy

The Company's policy on remuneration is to offer an overall remuneration package which will attract and retain high quality executives capable of achieving the Group's objectives.

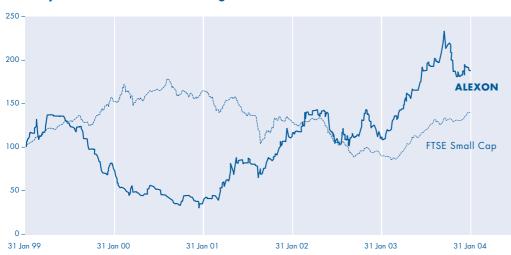
The remuneration package consists of basic salary, benefits, share options, long term incentive plan, performance related bonuses and pensions and is set at a level which is competitive in the context of individual experience, market conditions, and the Group's size and complexity.

Directors' service contracts

Details of the service contracts of those directors who served during the period are given below:

	Contract Date	Unexpired Term	Notice Period	Contractual Termination Payments
A.H.A. Osborn	23/06/93	1 year	1 year	nil
R.A.K.W. Piggott	15/02/93	1 year	1 year	nil
P.E. Cooper	23/08/94	6 months	6 months	nil
M.P. Adams	21/06/94	6 months	6 months	nil
J. Martin	01/11/02	3 months	3 months	nil
J. Herbert	01/01/04	3 months	3 months	nil

Year on year total shareholder return growth



Source: Hoare Govett Limited

The above graph shows total shareholder return on a cumulative basis for the last five years, compared to the FTSE Small Cap Index for the same period. The Company has outperformed the index for the last two years.

The directors consider the FTSE Small Cap Index to be the most appropriate index against which to compare total shareholder return as the Index's constituents are companies of a similar size to Alexon Group plc.

Interest in shares

The interests of the directors in the shares of the Company were as follows:

	6.25p convertible redeemable prefe		Ordinary	shares
	At 31 January 2004	At 25 January 2003	At 31 January 2004	At 25 January 2003
P.E. Cooper	_	_	55,046	65,046
A.H.A. Osborn	_	80,000	900,000	1,000,000
R.A.K.W. Piggott	_	18,645	<i>7</i> 1,168	71,168
M.P. Adams	_	_	67,110	65,610
J. Martin	_	_	20,000	20,000
I. Herbert	_	_	_	_

No other director held any ordinary shares at 31 January 2004.

The 6.25p convertible cumulative redeemable preference shares were redeemed by the Company on 29 October 2003.

Included in the beneficial holdings of the directors are those shares (if any) held by the director's spouse and any children under the age of 18.

There have been no material changes to the directors' shareholdings since the period end.

The directors have no beneficial interests in any other company within the Group.

The Company's Register of Directors' Interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe.

The following disclosures have been audited by the Company's auditors, PricewaterhouseCoopers LLP, as required by Schedule 7A of the Companies Act 1985.

Directors' detailed emoluments

The remuneration of the directors is as follows:

		Performance				
	Salaries	related	Expense		Total	Total
	and fees	bonus	allowance	Benefits	2004	2003
	_	£	£	£	£	
Executive						
A.H.A. Osborn	235,833	60,000	18,234	825	314,892	305,519
R.A.K.W. Piggott	148,333	30,000	13,946	1,032	193,311	192,593
Non Executive						
P.E. Cooper	40,000	_	_	_	40,000	40,000
M.P. Adams	24,000	_	_	_	24,000	22,875
J. Martin	24,000	_	_	_	24,000	6,000
J Herbert	2,000				2,000	
	474,166	90,000	32,180	1,857	598,203	566,987

All bonus payments are discretionary. Benefits in kind relate to medical insurance premiums.

No director waived emoluments in respect of the period ended 31 January 2004.

Share scheme

Executive share option scheme

The executive directors no longer participate in the executive share option scheme in respect of new grants.

Interest in share options

Details of options held by directors are set out below:

A.H.A. Osborn

Date of grant	At 25 January 2003	Granted during the period	Exercised during the period	Lapsed during the period	At 31 January 2004	Exercise price	Market price at date of exercise	Earliest excise date	Expiry date
March 1996	40,000	_	(40,000)	_	_	97.5p	230.0p	1999	2006
April 1997	50,000	_	(50,000)	_	_	198.5p	325.0p	2000	2007
April 1998	50,000	_	_	_	50,000	264.0p	<u>-</u>	2001	2008
October 1998	50,000	_	(50,000)	_	_	201.5p	325.0p	2001	2008
December 1999	40,000	_	(22,680)	_	17,320	118.5p*	260.0p	2002	2009
April 2000	80,000	_	(80,000)	_	_	79.5p*	325.0p	2003	2010
April 2001	250,000	_	_	_	250,000	67.0p*	_	2004	2011
September 2001	18,000				18,000	114.5p*	_	2004	2011
	578,000		(242,680)	_	335,320				

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R.A.K.W. Piggott

Date of grant	At 25 January 2003	Granted during the period	Exercised during the period	Lapsed during the period	At 31 January 2004	Exercise price	Market price at date of exercise	Earliest excise date	Expiry date
March 1996	40,000	_	(40,000)	_	_	97.5p	260.0p	1999	2006
April 1997	50,000	_	(50,000)	_	_	198.5p	299.0p	2000	2007
April 1998	25,000	_	_	_	25,000	264.0p	_	2001	2008
October 1998	25,000	_	(25,000)	_	_	201.5p	299.0p	2001	2008
December 1999	40,000	_	(22,680)	_	17,320	118.5p*	260.0p	2002	2009
April 2000	50,000	_	(50,000)	_	_	79.5p*	260.0p	2003	2010
April 2001	125,000	_	_	_	125,000	67.0p*	_	2004	2011
September 2001	30,000				30,000	114.5p*	_	2004	2011
	385,000		(187,680)		197,320				

^{*} Performance related options

The market price of ordinary shares at 31 January 2004 was 293.5p and the range during the financial period was from 174.5p to 365.5p.

The options to subscribe for ordinary shares of the Company are exercisable under the rules of the 1995 executive share option scheme.

In order for the directors to exercise any of the performance related options granted under the rules of the 1995 executive share option scheme prior to 6 October 1999, the Company must have achieved an increase in earnings per share at least equal to the performance of the upper quartile of all listed companies in the retailers' general sector for a comparable period.

The rules of the 1995 executive share option scheme were amended at the Extraordinary General Meeting held on 6 October 1999, for all future grants. The amendments replaced the four times remuneration limit for individuals with an annual grant limit of one times basic salary, and introduced a new performance condition. The new performance condition operates on a sliding scale and allows options to be exercised in respect of half of the shares provided that the Company's earnings per share growth over three years is at least equal to the median growth of the constituents of the retailers general sector of the FTSE All-Share Index. Full exercise is allowed for "upper quartile" performance, with the permitted level of exercise for intermediate performance determined on a straight line basis.

No other directors have been granted share options in the shares of the Company or other group entities.

Gains made by directors on share options

The table below shows gains made by individual directors from the exercise of share options during the period.

	2004 £000	2003 £000
A.H.A. Osborn	352	735
R.A.K.W. Piggott	260	59
Total gains on share options	612	794

Long term incentive scheme

Shares awarded to executive directors under the long term incentive plan are as follows:

	Cycle ending date	Award date	At 25 January 2003	Shares awarded	Shares vested	At 31 January 2004	Value vested £000	Vesting date
A.H.A. Osborn	2005	27/9/02	120,000	_	_	120,000	_	27/9/05
	2006	25/3/03	_	100,000	_	100,000	_	25/3/06
R.A.K.W. Piggott	2005	27/9/02	70,000	_	_	70,000	_	27/9/05
	2006	25/3/03	_	60,000	_	60,000	_	25/3/06

The market price of ordinary shares at 27 September 2002 and 25 March 2003 was 179.0p and 216.5p respectively.

An award will vest only if a specified performance condition has been satisfied. This condition will be disclosed each year in the Company's annual reports and accounts. The condition may be varied in certain circumstances following the grant of an award so as to achieve its original purpose.

The initial performance condition will be based on the Company's average annual compound earnings per share (EPS) growth exceeding the Retail Prices Index (RPI) by a specified margin over the three year period following grant as follows:

Average compound annual EPS growth above RPI	Percentage of award that vests
Less than 5%	0%
5%	33%
10% and above	100%

Awards will vest on a straight line basis where EPS growth is between 5% and 10% above RPI. To the extent that the performance condition is not satisfied at the end of the three year period after grant, the award will lapse. There will be no ability to retest performance over subsequent years. For future awards, different performance conditions may be applied. The Association of British Insurers and key shareholders will be consulted in the event of different performance conditions applying to future awards. However no performance conditions that are materially less demanding than those described above may be applied to future awards without prior shareholder approval.

Awards will lapse six months after they vest unless the remuneration Committee determines otherwise.

Directors' pension entitlements

The accrued pension entitlements of the directors are as follows:

	Increase in accrued pension benefits earned in the period	Increase in accrued pension benefits earned in the period excluding inflation	Transfer value of increase	Accrued pension entitlement at 31 January 2004	Transfer value at 31 January 2004	Transfer value at 25 January 2003	Increase in transfer value less director's contributions
A.H.A. Osborn	1,943	1,527	28,215	17,738	327,750	285,000	42,750
R.A.K.W. Piggott	8,126	7,034	65,620	49,589	462,450	367,000	95,450

The accrued pension entitlement shown is that which would be paid annually on retirement at age 60 and is based on pensionable service to 31 January 2004. The increase in the accrued

REMUNERATION REPORT

ALEXON GROUP PLC

entitlement is the difference between the accrued benefit at the period end and that at the previous period end. All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued pension entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the director's pension benefits. They do not represent sums payable to individual directors and, therefore, cannot be added meaningfully to annual remuneration. Whilst members of the scheme have the option to pay Additional Voluntary Contributions, no such contributions have been made by the directors. During the period, in addition to the amounts disclosed above, a contribution of $\mathfrak{L}76,200$ was made to a Funded Unapproved Retirement Benefit Scheme for AHA Osborn, together with a payment of $\mathfrak{L}67,056$ to meet the tax liability arising on the contribution.

J. Martin

Chairman of the Remuneration Committee 26 March 2004



Compliance statement

In the opinion of the directors, the Group has complied with the provisions of Section 1 of the Combined Code (1998) on Corporate Governance throughout the accounting period, with the exception that a separate Nominations Committee was not established until 20 March 2003. Prior to this date the appointment of directors was a formal process involving all of the members of the Board.

The following statements address the principles of the Combined Code on Corporate Governance and provide an explanation of the Group's application of them.

The Board of Directors

The Group is led and controlled by an experienced Board as set out on pages 6 and 7. The Board currently comprises of the non-executive Chairman, the Chief Executive, the Group Finance Director and three other non-executive directors. The non-executive directors who served during the accounting period under review have no links with the Group other than their personal shareholding and are considered independent. Mr J. Martin is considered to be the senior independent director.

Newly appointed directors are offered for re-election at the next Annual General Meeting. Once elected, directors are offered for re-election at least once every three years, in accordance with the Company's Articles of Association. Non-executive directors not considered independent under the Combined Code (2003) will be offered for re-election every year.

All directors are able to seek independent professional advice at the Group's expense should they consider it necessary. The Company Secretary is responsible for ensuring that Board procedures are followed and all directors have access to the Company Secretary. All directors receive appropriate training relevant to their experience and position within the Company.

The Board meets at least six times each year and gives full consideration to strategic and operational issues. It has a schedule of matters set aside for its direction. Annual budgets, forecasts and monthly management accounts are regularly reviewed by the Board.

Relations with shareholders

Meetings with institutional shareholders are held twice yearly following publication of the Group's interim and final results, and at other times by arrangement. A full dialogue is maintained with shareholders, of which two way feedback is a key element. All shareholders are welcomed to the Annual General Meeting and are encouraged to ask questions and to meet the directors individually following the meeting. All directors are expected to attend this meeting. The Annual Report is sent to shareholders at least twenty working days before the Annual General Meeting.

Accountability and audit

Financial reporting

A review of the performance of the Group is contained within the Chairman's statement and the Chief Executive's report.

Internal control

The Group's monitoring of its internal control systems is continual. The internal controls in place aim at safeguarding the Group's assets and ensuring its operations are carried out in an efficient and effective manner. They encompass controls to deal with significant business, operational, financial, compliance and other risks which may otherwise prevent achievement of the Group's objectives.

The key elements of the Group's internal control system, all of which have been fully operational during the period, are set out below:

- a clear, decentralised organisation structure with well defined lines of responsibility with, at it's top tier, the Board and executive directors;
- a detailed procedure for regular review and reporting of risks by operating companies to executive directors and, via them, to the Board;
- an internal Control Committee, including an executive director, which monitors Group risk management processes and reports to the Board;

- a comprehensive reporting system operated by each division;
- key tasks are performed and reviewed by experienced and suitably qualified senior managers within the Group;
- a formal annual budgetary process, which includes regular review with senior management, followed by board approval, documents the short and medium term plans of the Group. Monthly management accounts, prepared in accordance with strict timetables, monitor the actual performance against the annual budget and highlight significant variances and the reasons for their occurrence. Forecasts of current and future year performance are regularly updated and reviewed;
- all capital investment proposals are authorised at board level prior to their commencement.

The directors are responsible for establishing and maintaining the Group's systems of internal financial control. Such systems can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has in place an appropriate Funding and Treasury policy which has been set out in the directors' report. This policy has been agreed by the Board in response to the perceived risks facing the Group.

Audit Committee

The Audit Committee comprises of Mr P.E. Cooper, Mr J. Herbert and Mr J. Martin, the latter serving as chairman. The committee met the Group's auditors prior to the commencement of the audit and during the preparation of the Annual Report and Accounts to review the contents thereof and the internal controls operating within the Group, and will meet at other appropriate times during the year.

The Committee assesses the independence of the auditors on an ongoing basis and is satisfied that the auditors are independent of the Group.

The Group's Chief Executive and Finance Director may join the meetings of the committee by invitation of its chairman.

Nominations Committee

The Nominations Committee is chaired by Mr J. Herbert. The other non-executive directors serving on the committee are Mr P.E. Cooper and Mr M.P. Adams.

Going concern

After making enquiries the directors are satisfied that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. On this basis they continue to adopt the going concern basis in preparing the financial statements.

Responsibilities of the directors

The following statement, which should be read in conjunction with the auditors' statement of responsibilities set out on page 18, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial period and of the profit or loss for that period. The directors are responsible for ensuring that applicable accounting standards have been followed and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of financial statements. The directors are also responsible for the preparation of financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, and for maintaining adequate accounting records, for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities.

Independent Auditors' report to the members of Alexon Group plc

We have audited the financial statements which comprise the Group profit and loss account, balance sheets, cash flow statement, statement of total recognised gains and losses, and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' Remuneration Report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in whose hands it may come, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Report, the Directors' Report, the unaudited part of the directors' Remuneration Report and the Corporate Governance Statement.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable

AUDITORS' REPORT

ALEXON GROUP PLC

assurance that the financial statements and the auditable part of the directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and Group at 31 January 2004 and of the profit and cash flows of the Group for the 53 weeks then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

26 March 2004

10 Bricket Road St Albans Herts. AL1 3JX



Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

Basis of consolidation

The financial statements consolidate the accounts of Alexon Group plc and its subsidiary undertakings, and the Group's share of the results of associated companies. Annual financial statements are prepared for the 52 or 53 weeks to the last Saturday in the month of January. Newly acquired subsidiary undertakings are consolidated from the effective date of their acquisition.

Goodwil

Goodwill, being the difference between the fair value of assets acquired and the consideration given, was written off directly to reserves up until 31 January 1998. Goodwill acquired after this date is capitalised and amortised over twenty years, this being the directors' estimate of its useful economic life.

Turnover

Group turnover represents goods delivered less returns from, or allowances to, customers. Intra-group transactions and VAT have been excluded. Turnover includes the full value of sales made in concessions. In accordance with Financial Reporting Standard No. 5, Application Note G (FRS 5 ANG), turnover excludes the value of goods sold in the period which, it is estimated, will be returned for refund by customers after the period end date. The estimate is based on historical evidence of the level of customer returns. The impact of the adoption of FRS 5 ANG on the Group's results for the 53 weeks ended 31 January 2004 is a reduction in profit before tax of £31,000 (2003: £3,000) and a reduction in net assets of £469,000 (2003: £438,000).

Stock valuation

Stock is valued at the lower of cost and net realisable value. In the case of finished goods and work in progress, cost includes appropriate overhead expenses at normal activity levels. Net realisable value is based upon estimated selling price less associated costs of disposal.

Financial instruments

The Group uses forward contracts to hedge against fluctuating exchange rates in relation to purchases made in foreign currencies. Gains and losses arising on the contract are deferred until the underlying transaction is recognised in the profit and loss account.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction, or at the exchange rate of a related forward contract where appropriate. Assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date, or at the exchange rate of a related forward contract where appropriate. The gain or loss on translation of net assets of overseas operations are taken directly to reserves; all other differences are taken to the profit and loss account.

Fixed assets and depreciation

Fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated using a reducing balance or straight line basis depending on the nature of each

STATEMENT OF ACCOUNTING POLICIES

ALEXON GROUP PLC

business unit's activities. All assets, except freehold land, are depreciated at rates calculated to write off the cost, less estimated residual value, over expected useful lives as follows:

Freehold property — 4% p.a.

Short leasehold property — over term of lease

Vehicles — 20% to 25% p.a.

Plant and machinery — 10% to 25% p.a.

Fixtures and fittings - 10% to 25% p.a.

Investments

Investments are valued at historical cost, less provisions for impairment, and those denominated in foreign currencies are revalued at the closing rate of exchange.

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the term of the lease and approximates to a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis.

Provisions for liabilities and charges

Provisions for future pension costs, being the difference between the amount funded and the amount charged to the profit and loss account, are calculated using the results of triennial actuarial valuations. Provisions for onerous lease costs are calculated on an individual basis using the lower of:

- (i) the discounted value of trading losses to the end of the lease;
- (ii) the discounted value of annual rental payments to the end of the lease; and
- (iii) an estimate of costs which would be incurred in order to exit the lease prior to its expiry.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities recognised have not been discounted.

Pension costs

The Group operates a defined benefit scheme, a money purchase scheme and a stakeholder scheme. The cost of the defined benefit scheme is charged to the profit and loss account so as to

STATEMENT OF ACCOUNTING POLICIES

ALEXON GROUP PLC

spread the cost of pensions over the employees' working lives within the Group. The Group continues to adopt SSAP 24 "Accounting for Pension Costs" but has given additional disclosures as required by FRS 17 "Retirement Benefits". Contributions to funded unapproved retirement benefit schemes and money purchase schemes are charged to the profit and loss account in the period in which they arise. The Group does not contribute to the stakeholder scheme.

Share schemes

The Group has established the Alexon Employee Share Ownership Trust to meet obligations arising from the executive share option scheme. Shares acquired by the Trust are included within investments and are valued at cost, less provision for any permanent diminution in value.

The cost to the Company of granting shares, or rights to shares, including options, to employees is charged to the profit and loss account over the period in which the awards vest. The cost is calculated as the difference between the market value of the shares at the date of grant and the amount paid by the employees for the rights.

National Insurance contributions arising from the exercise of share options and the award of shares is charged to the profit and loss account over the period in which the awards vest to the employees. The provision made for potential future exercises is adjusted to reflect changes in the market value of the Company's shares. This adjustment is charged to the profit and loss account over the remaining period in which the awards vest to the employees.

			2004	2003
	Before	Exceptional		(restated)
Note	items £000	(see note 1)	Total £000	\$000
1	416.429	_	416.429	398,405
		(984)		(341,842)
	59,009	(984)	58,025	56,563
	(10,487)	-	(10,487)	(10,211)
	(2,400)	-	(2,400)	(2,400)
	(12,887)	-	(12,887)	(12,611)
	(15,956)		(15,956)	(16,007)
	32,566	(984)	31,582	30,345
	(2,400)	-	(2,400)	(2,400)
1	30,166	(984)	29,182	27,945
3	220	-	220	(240)
	30,386	(984)	29,402	27,705
4	(7,523)	295	(7,228)	(8,227)
	22,863	(689)	22,174	19,478
5	(4,468)	_	(4,468)	(3,546)
5	(943)		(943)	(1,267)
22	17,452	(689)	16,763	14,665
6	36.68p	(1.15)p	35.53p	30.41p
6	35.31p	(1.11)p	34.20p	28.41p
6	40.69p	(1.15)p	39.54p	34.42p
	1 1 3 4 5 5 5 22	exceptional items	Note Exceptional items (see note 1) £000 1	Note Exceptional items (see note 1) Total £000 £000 £000 1

	2004	2003
	£000	(restated) £000
Profit for the financial period	22,174	19,478
Total recognised gains for the period	22,174	19,478
Prior year adjustment	(438)	_
Corporation tax related to prior year adjustment	131	_
Total gains recognised since last annual report	21,867	19,478

The cumulative effect on opening Group reserves at 25 January 2003 of adopting the amendment of Financial Reporting Standard No. 5 (Application Note G) is a reduction of £307,000.

The impact on the Group's results for the period ended 25 January 2003 is a reduction in profit after tax of £3,000.

A statement of movement in shareholders' funds can be found in note 22.

			2004		2003
					(restated)
As at 31 January 2004	Note	£000	£000	0003	0003
Fixed assets					
Intangible assets	8	37,174		39,574	
Tangible assets	9	20,572		21,191	
Investments	10	2,729		3,214	
			60,475		63,979
Current assets					
Stock	11	56,771		50,151	
Debtors	12	26,194		28,624	
Investments – short term deposits		-		10,000	
Cash at bank and in hand		2,728		1,761	
		85,693		90,536	
Creditors falling due within one year	13	(48,407)		(50,162)	
Net current assets			37,286		40,374
Total assets less current liabilities			97,761		104,353
Creditors falling due after more than one year	14		-		(80)
Provisions for liabilities and charges	16		(3,286)		(3,605)
Net assets			94,475		100,668
Capital and reserves					
Called up share capital	20		6,116		8,190
Share premium account	21		32,916		31,093
Capital redemption reserve	21		2,591		481
Profit and loss account	21		52,852		60,904
Equity shareholders' funds		94,458		80,130	
Non-equity shareholders' funds	23	17		20,538	
Total shareholders' funds	22		94,475		100,668

			2004		2003
As at 31 January 2004	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	9	2,762		3,008	
Investments	10	209,964		60,449	
			212,726		63,457
Current assets					
Investments	10	-		154,282	
Debtors falling due after more than one year	12	105,213		85,833	
Investments – short term deposits		-		10,000	
Cash at bank and in hand		54		28	
		105,267		250,143	
Creditors falling due within one year	13	(17,802)		(15,308)	
Net current assets			87,465		234,835
Total assets less current liabilities			300,191		298,292
Creditors falling due after more than one year	14		(96,701)		(94,951)
Net assets			203,490		203,341
Capital and reserves					
Called up share capital	20		6,116		8,190
Share premium account	21		32,916		31,093
Capital redemption reserve	21		2,591		481
Profit and loss account	21		161,867		163,577
Equity shareholders' funds		203,473		182,803	
Non-equity shareholders' funds	23	17		20,538	
Total shareholders' funds			203,490		203,341

The financial statements were approved at a meeting of the directors on 26 March 2004

P.E.Cooper
R.A.K.W. Piggott

Directors



For the 53 weeks			2004		2003
to 31 January 2004	Note	£000	£000	0003	2000
Net cash inflow from operating activities	24		33,714		31,711
Returns on investments and servicing of finan	nce				
Interest received		418		267 (310)	
Interest paid Interest element of finance lease payments		(261) (30)		(310)	
Non-equity dividends paid		(1,364)		(1,268)	
			(1,237)		(1,426)
Taxation					45.5011
Corporation tax paid			(8,898)		(5,591)
Capital expenditure					
Purchase of tangible fixed assets	9	(5,165)		(9,378)	
Receipts from sales of tangible fixed assets		248		18	
			(4,917)		(9,360)
Equity dividends paid			(4,173)		(1,991)
Net cash inflow before management of					
liquid resources and financing			14,489		13,343
Management of liquid resources					
Decrease/(increase) in short term deposits			10,000		(10,000)
Financing					
Proceeds from the issue of shares	20		374		242
Purchase of own shares	0.4		(22,411)		(2,915)
Repayment of loan notes Capital element of finance lease payments	24 24		(131) (403)		(1,016) (580)
Increase/(decrease) in cash in the period	24		1,918		(926)
inti dato, (addi dato) in dati in into portod	27		.,,		(720)



			Turnover	Ор	erating profit
1	Segmental reporting	2004 53 weeks £000	2003 52 weeks (restated) £000	2004 53 weeks	2003 52 weeks (restated) £000
	Alexon Brands Bay Trading Dolcis Style	196,068 87,493 69,991 62,877	185,197 86,604 67,246 59,358	22,628 3,316 2,986 3,636	20,975 4,101 2,017 3,252
		416,429	398,405	32,566	30,345
	Goodwill amortisation Exceptional items			(2,400) (984)	(2,400)
				29,182	27,945

Exceptional items comprise the costs of closing the manufacturing facility in South Wales.

Geographical analysis of turnover by destination		
United Kingdom	385,722	370,886
Rest of Europe	29,685	26,106
Rest of the World	1,022	1,413
	416,429	398,405

There is no material difference between turnover by destination and turnover by origin. Geographical analysis of profit on ordinary activities before taxation and net assets are not provided as over 90% of both items arise within the UK.

Additional information as required by SSAP 25 has not been disclosed because, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Group.

2	Profit on ordinary activities before taxation	2004 53 weeks £000	2003 52 weeks £000
	Profit on ordinary activities before taxation is stated after charging/(crediting)		
	the following items:		
	Depreciation	5,582	5,644
	Amortisation of goodwill	2,400	2,400
	(Profit)/loss on disposal of fixed assets	(46)	398
	Profit on foreign exchange		(139)
	Auditors' remuneration – audit services: Company	20	20
	Group (including Company)	119	109
	Auditors' remuneration – other services	559	65
	Hire of plant and machinery	298	387
	Operating lease rentals – land and buildings	44,400	41,885
	– other	113	99
	Investment in own shares – impairment	(14)	422

Auditors' remuneration for other services relates primarily to taxation advice and includes £436,000 which was paid and disclosed in the 2003 financial statements.

3	Net interest payable/(receivable)	2004 53 weeks £000	2003 52 weeks £000
	Interest payable on bank loans and overdrafts wholly repayable within five years Interest payable on finance leases Interest payable on loan notes	273 30 15	245 115 27
	Interest receivable	(538)	(147)
		(220)	240
4	Tax charge on profit on ordinary activities	2004 53 weeks £000	2003 52 weeks £000
	The taxation charge for the period comprises:		
	Current tax – UK corporation tax on profits of the period – Adjustments in respect of previous periods	8,219 (2,153)	8,823 31
	Overseas tax	6,066 14	8,854 14
	Total current tax	6,080	8,868
	Deferred tax – Origination and reversal of timing differences – Current period – Previous periods	705 443	150 (791)
		7,228	8,227
	A tax credit of $£131,000$ on recognised gains and losses is included in the consolidated sta gains and losses which relates to UK corporation tax at 30% on the (see note 21).		
	Factors affecting the tax charge for the period:		
	Profit on ordinary activities before taxation	29,402	27,705
	Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30%	8,821	8,312
	Effects of: Expenses not deductible for tax purposes (primarily goodwill amortisation)	984	2,193
	Income not taxable Utilisation of tax losses Capital allowances for the period in excess of depreciation, and	5 (612)	24 (1,556)
	other timing differences Adjustments in respect of previous periods corporation tax payable Overseas tax not recoverable	(979) (2,153) 14	(150) 31 14
	Current tax charge for the period	6,080	8,868
	The second secon	2,000	2,000



5	Dividends	2004 53 weeks £000	2003 52 weeks £000
	Equity dividends on ordinary shares: - interim paid 2.33p (2003: 1.33p) - final proposed 5.17p (2003: 4.67p)	1,401 3,067	790 2,756
		4,468	3,546
	Non-equity dividends on preference shares: 5% cumulative preference shares - declared in the period - accrued in earlier periods	Ξ	5 (1)
	 6.25p convertible cumulative redeemable preference shares declared in the period accrued in earlier periods accrued in the period 	1,364 (421) 	1,263 (421) 421
		943	1,267

6 Earnings per share

The calculation of basic earnings per ordinary share is based on profits of £21,231,000 (2003 restated: £18,211,000), being the profit for the period of £22,174,000 less preference share dividends of £943,000, and on **59,759,416** ordinary shares (2003: 59,875,174) being the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares excludes those shares held by the Alexon Employee Share Ownership Trust.

The earnings figure for adjusted earnings per share excludes goodwill amortisation. The adjusted numbers have been provided in order that the effect of goodwill amortisation on reported earnings can be fully appreciated.

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.

			2004			2003
	Earnings £	Weighted average number of shares	Per share pence	Earnings (restated) £	Weighted average number of shares	Per share pence (restated)
Adjusted earnings Goodwill amortisation	23,631,000 (2,400,000)	59,759,416 -	39.54 (4.01)	20,611,000 (2,400,000)	59,875,174 -	34.42 (4.01)
Basic earnings Effect of dilutive securities:	21,231,000	59,759,416	35.53	18,211,000	59,875,174	30.41
convertible preference shares	_	_	-	1,263,000	6,658,468	(1.15)
options		2,324,169	(1.33)		2,008,829	(0.85)
Diluted earnings	21,231,000	62,083,585	34.20	19,474,000	68,542,471	28.41

Goodwill

ALEXON GROUP PLC

7	Employees	2004 53 weeks Number	2003 52 weeks Number
	The total average monthly number of employees including		
	part-time staff during the period was as follows: Production	250	402
	Retail and distribution	7.944	7,321
	Administration	167	164
		8,361	7,887
	Staff costs during the period amounted to:	£000	000£
	Wages and salaries	59,217	57,811
	Social security costs	3,662	3,533
	Other pension costs	814	791
		63,693	62,135

Directors' emoluments are disclosed in the Remuneration Report on pages 10 to 15.

Other pension costs comprise the charge to the profit and loss account relating to the defined benefit element of the Alexon Group Amalgamated Pension Scheme ("the Scheme") of £583,000 (see note 25), and contributions made to the defined contribution element of the Scheme of £29,000. Contributions of £59,000 were made to personal pension plans of senior executives who are not members of the Scheme. In addition, a contribution of £76,000 was made to a Funded Unapproved Retirement Benefit Scheme on behalf of A.H.A. Osborn, and a payment of £67,000 was made to meet the tax liability arising on this contribution.

8	Intangible fixed assets	0003
	Group	
	Cost At 25 January 2003 and 31 January 2004	47,474
	Amortisation At 25 January 2003 Charge for the period	7,900 2,400
	At 31 January 2004	10,300
	Net book amount At 31 January 2004 At 25 January 2003	37,174 39,574

Goodwill arising on acquisitions is being amortised on a straight line basis over twenty years, this period being the directors' estimate of its useful economic life.

NOTES TO THE FINANCIAL STATEMENTS

Tangible fixed assets	Land and buildings	Short leasehold property £000	Vehicles plant and machinery £000	Fixtures and fittings £000	Total £000
Group					
Cost At 25 January 2003 Additions during the period Disposals during the period	4,314 - -	7,164 30 (460)	9,189 356 (3,418)	33,653 4,779 (1,481)	54,320 5,165 (5,359)
At 31 January 2004	4,314	6,734	6,127	36,951	54,126
Accumulated depreciation At 25 January 2003 Charge for the period Disposals during the period	773 297 -	4,802 358 (422)	7,936 410 (3,352)	19,618 4,517 (1,383)	33,129 5,582 (5,157)
At 31 January 2004	1,070	4,738	4,994	22,752	33,554
Net book amount At 31 January 2004	3,244	1,996	1,133	14,199	20,572
At 25 January 2003	3,541	2,362	1,253	14,035	21,191
	Group Cost At 25 January 2003 Additions during the period Disposals during the period At 31 January 2004 Accumulated depreciation At 25 January 2003 Charge for the period Disposals during the period At 31 January 2004 Net book amount At 31 January 2004	Tangible fixed assets Group Cost At 25 January 2003	Tangible fixed assets Land and buildings £000 leasehold property £000 Group Cost 4,314 7,164 At 25 January 2003 4,314 7,164 Additions during the period - 30 Disposals during the period - (460) At 31 January 2004 4,314 6,734 Accumulated depreciation 773 4,802 Charge for the period 297 358 Disposals during the period - (422) At 31 January 2004 1,070 4,738 Net book amount 4 1,996	Tangible fixed assets Land and buildings £000 leasehold property £000 plant and machinery £000 Group Cost X X X X X X X Y X X Y X	Tangible fixed assets Land and buildings £000 leasehold property £000 plant and machinery £000 and fittings £000 Group Cost 4,314 7,164 9,189 33,653 Additions during the period - 30 356 4,779 Disposals during the period - (460) (3,418) (1,481) At 31 January 2004 4,314 6,734 6,127 36,951 Accumulated depreciation 773 4,802 7,936 19,618 Charge for the period 297 358 410 4,517 Disposals during the period - (422) (3,352) (1,383) At 31 January 2004 1,070 4,738 4,994 22,752 Net book amount At 31 January 2004 3,244 1,996 1,133 14,199

Included in vehicles, plant and machinery are assets acquired under finance leases with a cost of £5,865,000 (2003: £6,454,000) and accumulated depreciation of £5,608,000 (2003: £5,717,000). The depreciation charge for the period on these assets was £481,000 (2003: £819,000).

	Land and buildings £000
Company	
Cost At 25 January 2003 Additions during the period Disposals during the period	3,050 - -
At 31 January 2004	3,050
Accumulated depreciation At 25 January 2003 Charge for the period Disposals during the period	42 246
At 31 January 2004	288
Net book amount At 31 January 2004	2,762
At 25 January 2003	3,008

			Group		Company
10	Investments	At 31 January 2004 £000	At 25 January 2003 £000	At 31 January 2004 £000	At 25 January 2003 £000
	Fixed asset investments Shares in Group undertakings:				
	At the begining of the period Additions during the period	Ξ	_	57,235 150,000	57,235 -
	At the end of the period		_	207,235	57,235
	Interest in own shares: At the begining of the period Additions during the period Disposals during the period Impairment	3,214 670 (1,169) 14	836 2,880 (80) (422)	3,214 670 (1,169) 14	836 2,880 (80) (422)
	At the end of the period	2,729	3,214	2,729	3,214
	Total fixed asset investments	2,729	3,214	209,964	60,449
	Current asset investments Investments in a Group company At the begining of the period Revaluation during the period Disposals during the period			154,282 7,888 (162,170)	142,672 11,610
	At the end of the period			_	154,282

Preference shares, denominated in euros, in Dolcis Holdings Limited were redeemed during the period. The Company purchased 150,000,000 £1 ordinary shares issued by Dolcis Holdings Limited during the period.

A list of principal subsidiary undertakings is shown in note 27.

Interests in own shares represent the cost of 1,610,507 of the Company's ordinary shares (nominal value £161,051) purchased by the Alexon Employee Share Ownership Trust. These shares were acquired by the Trust in the open market using funds provided by the Group to meet obligations under the Executive Share Option Scheme. The costs of administering the Trust are charged to the profit and loss account of the Company in the period to which they relate. The market value of the shares at 31 January 2004 was £4,726,838. Under the rules of the Trust dividends receivable on all shares held by the Trust which exceed 0.01 pence per share are waived.

11	Stock	31 January 2004 £000	25 January 2003 £000
	Raw materials Work in progress Finished goods	1,864 2,156 52,751	1,073 1,915 47,163
		56,771	50,151

There were no stocks held by the Company as at 31 January 2004 (2003: nil).

			Group		Company
12	Debtors	At 31 January 2004	At 25 January 2003	At 31 January 2004	At 25 January 2003
12	Debiors	000£	0003	£000	0003
	Amounts falling due within one year:				
	Trade debtors	12,706	13,860	-	_
	Other debtors	168 12,584	42 12,838	_	_
	Prepayments and accrued income	12,364	12,030		
		25,458	26,740	-	-
	Amounts falling due after more than one year:				
	Amounts owed by subsidiary companies		_	104,907	85,668
	Deferred tax	736	1,884	306	165
		736	1,884	105,213	85,833
	Total debtors	26,194	28,624	105,213	85,833
			Group		Company
		At	At	At	At
		31 January 2004	25 January 2003	31 January 2004	25 January 2003
13	Creditors falling due within one year	2000	(restated)	2000	0000
13	creditors raining due within one year	000£	0003	£000	0003
	Bank loans and overdrafts	1,302	2,253	13,118	11,547
	Obligations under finance leases and hire purchase contracts	76	399	-	_
	Trade creditors	12,588	11,085	-	_
	Other creditors	1,469	4,845 6,098	49	42
	Taxation and social security costs Corporation tax	6,768 3,576	6,394	220	11
	Accruals and deferred income	19,002	15,626	789	246
	Logn notes	556	687	556	687
	Proposed dividends	3,070	2,775	3,070	2,775
		48,407	50,162	17,802	15,308

All creditors are unsecured.

The loan notes were issued as part of the consideration for the purchase of Style Holdings plc. They are redeemable at par, plus any amounts of interest outstanding, at the option of the holder, on 31 January and 31 July each year, up to and including 31 July 2004.

The Company may, at any time, purchase the notes by tender, by private treaty, or otherwise, at any price. Any loan notes not previously so redeemed or purchased will be redeemed in full, at par, together with any amounts of interest outstanding, on 31 July 2004.

Interest is payable twice yearly in arrears on 31 January and 31 July. The rate of interest is calculated as the average of offered quotations for sterling deposits for a six month period, offered by any two London clearing banks selected by the Company.

			Group		Company
		At	At	At	At
		31 January	25 January	31 January	25 January
		2004	2003	2004	2003
14	Creditors falling due after more than one year	£000	000£	£000	000£
	Obligations under finance leases and hire purchase contracts				
	due within two to five years	_	80	-	_
	Amounts owed to subsidiary companies	-	-	96,701	94,951
		_	80	96,701	94,951

15 Financial instruments

An explanation of the Group's treasury policy is included within the Directors' Report on page 8.

Short term debtors and creditors have been excluded from the following disclosures.

Interest rate profile of financial liabilities

The interest rate profile of the Group's financial liabilities is:

	Financial liabilities – less than one year £000	Financial liabilities – more than one year £000	Provisions £000	At 31 January 2004 £000	At 25 January 2003 £000
Fixed rate financial liabilities	76	_	_	76	20,681
Floating rate financial liabilities	1,858	_	_	1,858	2,940
Non interest bearing liabilities	_	_	3,178	3,178	3,269
	1,934	_	3,178	5,112	26,890

Provisions relate to property provisions.

Financial liabilities are all denominated in sterling.

The fixed rate liabilities have a weighted average interest rate of 10.8% (2003: 6.5%) and the weighted average period for which interest rates are fixed is 0.2 years (2003: 0.7 years).

The weighted average period until maturity of the non interest bearing financial liabilities is 2.7 years (2003: 2.1 years).

The floating rate liabilities comprise overdrafts, which use the banks' base rate as the benchmark for determining interest payments, and loan notes, which use the average of offered quotations for sterling deposits for a six month period, offered by any two London clearing banks selected by the Company.



15 Financial instruments (continued)

Maturity analysis of financial liabilities

The maturity profile of the Group's financial liabilities is:

		As	at 31 Janua	ary 2004			A	ıs at 25 Janu	ary 2003
	Debt £000	Finance leases I £000	Provisions £000	Total £000	Debt £000	Finance leases £000	Provisions £000	Non-equity shares £000	Total £000
In one year or less, or on demand In more than one year, but not	1,858	76	154	2,088	2,940	399	1,091	20,202	24,632
more than two years In more than two years, but not	-	-	508	508	-	80	610	-	690
more than five years			2,516	2,516			1,568		1,568
	1,858	76	3,178	5,112	2,940	479	3,269	20,202	26,890

With the exception of the deferred tax asset, all of the Group's financial assets mature within one year.

Fair value of financial assets and financial liabilities

The following table shows a comparison of the book values and fair values of the Group's financial assets, financial liabilities and non-equity shares.

1 /	At 31 J	anuary 2004	At 25	January 2003
	Book value £000	Fair value £000	Book value £000	Fair value £000
Primary financial instruments held or issued to finance the Group's operations:				
Loan notes due within one year	(556)	(556)	(687)	(687)
Short term borrowings	(1,302)	(1,302)	(2,253)	(2,253)
Finance leases and hire purchase contracts				
- within one year	(76)	(76)	(399)	(399)
– after one year	-	-	(80)	(80)
Non equity shares	-	_	(2,020)	(19,696)
Cash and short term deposits	2,728	2,728	11,761	11,761
Provisions	(3,178)	(3,178)	(3,269)	(3,269)
Derivative financial instruments held to hedge the currency exposure on expected future purchases:				
Forward foreign currency contracts		(2,474)		(1,666)

The fair value of financial assets and liabilities are calculated by reference to the market values of the assets and liabilities as at 31 January 2004.

Hedges

The Group's policy is to hedge against falling exchange rates in relation to estimated future purchases for the next six to eight months made in currencies for which the Group does not receive trading income. The hedging instruments used are forward foreign currency contracts.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) and on-balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the beginning and end of the period. It also shows the amount of such gains and losses which have been included in the profit and loss account for the period and those gains and losses which are expected to be included in next year's profit and loss account.

15 Financial instruments (continued)

All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions.

Under the Group's accounting policy, foreign currency assets which are hedged using forward foreign currency contracts are translated at the contracted rate. Consequently, the carrying value of the relevant asset effectively includes the gain or loss on the hedging instrument. Such gains and losses are treated as deferred for the purpose of the table below:

	At 31 January 2004		At 25 January 2003	
	Deferred £000	Unrecognised £000	Deferred £000	Unrecognised £000
(Loss)/gain at beginning of the period	(59)	(1,666)	(68)	87
Change in value from beginning of period to maturity Arising in previous period included in current year	-	78	-	(789)
income and now deferred Loss arising in previous period included in current	(195)	195	(131)	131
period income Loss arising in current period not included in	254	1,393	199	571
current period income	(318)	(2,474)	(59)	(1,666)
Loss at end of the period	(318)	(2,474)	(59)	(1,666)
Of which: Loss expected to be recognised in 53 weeks to 31 January 2004	_	_	(59)	(1,666)
Loss expected to be recognised in the 52 weeks to 29 January 2005	(318)	(2,474)	_	_

16	Provisions for liabilities and charges	Property provisions £000
	Group	
	At 25 January 2003	3,605
	Credited to the profit and loss account	(305)
	Utilised	(14)
	At 31 January 2004	3,286

Property provisions are in respect of onerous lease contracts relating to certain uneconomic shop premises, and the amortisation of reverse premiums and rent free periods. Onerous lease provisions represent estimated exit costs determined on an individual basis. The provision is expected to be utilised over the next three years.



			Group		Company
		At	At	At	At
		31 January	25 January	31 January	25 January
	materials and	2004	2003	2004	2003
17	Deferred taxation	0003	000£	£000	0003
	The deferred taxation asset represents:				
	Accelerated capital allowances	538	1,435	1	2
	Other timing differences	(76)	449	304	163
	Trading losses	274	_	-	_
	Deferred tax asset	736	1,884	305	165
	Factors that may affect future charges				
	Deferred tax unprovided represents:				
	Tax losses carried forward	_	101	_	_
	Capital losses less rolled over gains	2,703	2,783	2,823	2,823
		2,703	2,884	2,823	2,823

The deferred tax asset not recognised in respect of capital losses less rolled over capital gains would be recovered if future capital gains arose within the Group.

		Al .	AI.
		31 January	25 January
		2004	2003
18	Capital commitments	£000£	0003
	Group		
	Authorised and contracted	47	462
	Company		

The Company had no capital commitments at 31 January 2004 (2003: £nil).

		Land	and buildings	d buildings	
19	Other financial commitments	At 31 January 2004 £000	At 25 January 2003 £000	At 31 January 2004 £000	At 25 January 2003 £000
	Group Annual commitments payable under operating leases, including shop rentals, expiring as follows:				
	Within one year	306	552	1	12
	From the second to fifth years inclusive	3,741	3,306	113	108
	Over five years	38,036	37,033	-	_
		42,083	40,891	114	120

Company

The Company had no other financial commitments at 31 January 2004 (2003: £nil).

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		At 31 Ja	nuary 2004	anuary 2003	
) 5	hare capital	No. of shares	£000	No. of shares	2000
	Authorised				
E	quity				
	Ordinary shares of 10p each	82,266,369	8,226	82,264,582	8,226
ı	lon-equity				
S	o.25p convertible cumulative redeemable preference hares of 10p each Non-voting deferred shares of 10p each	21,262,168 166,086	2,126 17	21,267,592 162,449	2,127 16
Т	otal non-equity		2,143		2,143
Т	otal		10,369		10,369
,	Allotted, issued and fully paid	,		,	
E	quity				
(Ordinary shares of 10p each	60,993,001	6,099	61,544,958	6,154
ı	lon-equity				
S	o.25p convertible cumulative redeemable preference hares of 10p each Non-voting deferred shares of 10p each	- 166,086	- 17	20,201,664 162,449	2,020 16
Т	otal non-equity		17	•	2,036
Т	iotal		6,116		8,190
		1			

During the period the Company purchased 900,000 of its own 10p ordinary shares, with a nominal value of £90,000, for the sum of £2,713,583 including associated costs.

346,256 ordinary shares of 10p each with a nominal value of £34,626 were allotted for the sum of £373,958 following the exercise of share options by the directors and certain senior executives.

The 6.25p convertible cumulative redeemable preference shares of 10p each were redeemed by the Company on 29 October 2003 at a cost of £20,196,240 which included a premium of 90p per share.

The holders of the deferred shares of 10p each are not entitled to the payment of any dividend. On a winding up the deferred shares only receive a return of capital after each of the ordinary shares has received a payment of £1,000,000. The shares are neither convertible nor redeemable.

Executive share option scheme

The granting of share options to senior employees is considered bi-annually by the Remuneration Committee. Awards are made on the basis of the Committee's assessment of an individual's potential contribution to the overall performance of the Group.

During the period options in respect of 1,159,377 shares were exercised. No additional awards were granted during the period and none of the outstanding options lapsed. At 31 January 2004 the following options over shares in the Company were outstanding:

	Number of shares	Option price	Dates exercisable
Performance-related options	1,857,623	26.0p to 224.0p	1998 to 2012
Other options	435,000	26.0p to 264.0p	1997 to 2008



		Share pre	emium account		redemption reserve fund	Profit an	nd loss account
21	Reserves	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
	Group Reserves at beginning of period						
	as previously stated Prior year adjustment	31,093 -	30,907 -	481 -	381	61,211 (307)	46,659 (304)
	Reserves at beginning of period						
	as restated	31,093	30,907	481	381	60,904	46,355
	Arising on share issues	1,823	186	_	_	(1,484)	· -
	Arising on share repurchase	_	_	2,110	100	(22,910)	(115)
	Profit for the period Add back accrued preference	-	-	-	_	16,763	14,665
	dividend Preference dividends, previously	-	-	-	_	-	421
	accrued, declared in the period	-	_	-	_	(421)	(422)
	Reserves at end of period	32,916	31,093	2,591	481	52,852	60,904
	Company						
	Reserves at beginning of period	31,093	30,907	481	381	163,577	127,998
	Arising on share issues	1,823	186	-	_	(1,484)	_
	Arising on share repurchase	-	_	2,110	100	(22,910)	(115)
	Profit for the period Add back accrued preference	-	_	-	_	23,105	35,695
	dividend Preference dividends, previously	-	_	-	-	-	421
	accrued, declared in the period				_	(421)	(422)
	Reserves at end of period	32,916	31,093	2,591	481	161,867	163,577

The profit and loss account reduction of £1,484,000 reflects the difference between shares issued to the Employee Benefit Trust at market price and the subscription price of share options exercised by employees. This figure includes £988,000 relating to options exercised during the period ending 25 January 2003.

In addition to the amounts arising on share repurchases shown above, shares were also purchased by the Alexon Employee Share Ownership Trust (see note 10).

The cumulative amount of goodwill written off directly to the profit and loss reserve account at 31 January 2004 is £43 million.

No profit and loss account is presented for Alexon Group plc as provided by Section 230 of the Companies Act 1985. The amount of consolidated profit for the period, dealt with in the accounts of the Company, is shown above.

Prior year adjustment

The prior year adjustment relates to the implementation of FRS 5 Application Note G and the associated tax effect.

Analysis of prior year adjustment:

	2004 £000
Adjustment to opening profit and loss account reserve Adjustment to profit and loss for the 52 weeks to 25 January 2003	(304) (3)
	(307)

					Company
		2004	2003	2004	2003
22	Reconciliation of movement in shareholders' funds	£000	(restated) £000	£000	0003
	Profit for the financial period as previously stated	22,174	19,481	28,516	40,508
	Prior year adjustment	_	(3)	_	-
	Profit for the financial period as restated	22,174	19,478	28,516	40,508
	Dividends	(5,411)	(4,813)	(5,411)	(4,813)
	Total recognised profit for the period	16,763	14,665	23,105	35,695
	Proceeds of share issue	375	242	375	242
	Consideration for share repurchase	(22,910)	(115)	(22,910)	(115)
	Add back accrued preference dividend Preference dividends, previously accrued,	-	421	-	421
	declared in the period	(421)	(422)	(421)	(422)
		(6,193)	14,791	149	35,821
	Opening shareholders' funds as previously stated	100,668	86,181	203,341	167,520
	Prior year adjustment	-	(304)	-	-
		100,668	85,877	203,341	167,520
	Closing shareholders' funds	94,475	100,668	203,490	203,341
	Closing shareholders' funds may be analysed as follows:				
	Equity	94,458	80,130	203,473	182,803
	Non-equity	17	20,538	17	20,538
	Closing shareholders' funds	94,475	100,668	203,490	203,341

Included within closing shareholders' funds for the Company of £203,490,000 (2003: £203,341,000) is an amount of £111,828,000 (2003: £111,828,000) which is non-distributable.

		Group and Company	
23	Non-equity shareholders' funds	At 31 January 2004 £000	At 25 January 2003 £000
	Non-equity shareholders' funds may be analysed as follows:		
	Share capital	17	2,036
	Share premium	_	18,182
	Unamortised issue costs	_	(101)
	Undeclared preference dividends		421
		17	20,538
	Representing:		
	6.25p convertible cumulative redeemable preference shares of 10p each	_	20,522
	Non-voting deferred shares of 10p each	17	16
		17	20,538

24	Notes to the statement of cash flows		2004 53 weeks £000	2003 52 weeks (restated) £000
	Reconciliation of operating profit to net cash inflow from operating activities: Operating profit Depreciation Amortisation of goodwill (Profit)/loss on disposal of fixed assets Increase in stock Decrease/(increase) in debtors Increase in creditors Decrease in provisions Investment in own shares – impairment		29,182 5,582 2,400 (46) (6,620) 1,402 2,147 (319) (14)	27,945 5,644 2,400 398 (959) (4,475) 1,315 (979) 422
	Net cash inflow from operating activities		33,714	31,711
	Analysis of change in net debt	At 25 January 2003 £000	Cash flow £000	At 31 January 2004 £000
	Cash Overdrafts	1,761 (2,253)	967 951	2,728 (1,302)
			1,918	
	Loan notes: current Finance leases: current non current Liquid resources – short term deposits	(687) (399) (80) 10,000	131 323 80 (10,000)	(556) (76) - -
	Total	8,342	(7,548)	794
			2004 53 weeks £000	2003 52 weeks £000
	Reconciliation of movement in cash to movement in net debt Increase/(decrease) in cash Repayment of finance leases Repayment of loan notes (Decrease)/increase in liquid resources		1,918 403 131 (10,000)	(926) 580 1,016 10,000
	Movement in the period Net funds/(debt) at beginning of the period		(7,548) 8,342	10,670 (2,328)
	Closing net funds		794	8,342

25 Pension commitments

Companies within the Group participate within the Alexon Group Amalgamated Pension Scheme which provides pension benefits under both the defined benefit and defined contribution methods.

Contributions to the money purchase element of the scheme are based on individual members' pensionable salaries and range from 3% to 10%. Contributions during the period amounted to £29,000 (2003: £13,000).

The current rate of employer contributions to the defined benefit scheme was determined by the scheme's actuary on the basis of the April 2002 valuation using the projected unit credit method. The regular cost of the scheme is attributed to individual years and variations in pension costs are amortised over the average expected remaining working lives of employees.

The major assumptions used in the 2002 valuation were that the annual investment return would be 2% per annum higher than the annual increase in salaries which in turn would be some 1.25% higher than the generally assumed annual increase in pension payments of up to 3% per annum.

The market value of the scheme's assets at 6 April 2002 was sufficient to provide a funding level of 102% of the target fund, this being the total of all the present values of all possible benefits that could be paid at all times in the future for all current members.

Employer contributions to the scheme during the period ended 31 January 2004 were made at a rate of 26.5% of pensionable salaries.

Differences between the amounts funded and the amounts charged or credited to the profit and loss account are treated as a provision or prepayment in the balance sheet.

The prepayment made in respect of the funding of the pension scheme as at 31 January 2004 was £2,206,000 (2003: £1,730,000).

The pension charge for the year amounted to £583,000 (2003: £594,000).

For the purpose of producing the FRS 17 disclosure the actuarial valuation was updated using the following assumptions:

				At 31 January 2004	At 25 January 2003
Rate of increase in pensionable salaries				4.25%	3.75%
Rate of increase in pensions in payment				2.75%	2.25%
Discount rate				5.50%	5.40%
Inflation assumption				2.75%	2.25%
The assets of the scheme and the expected rates of	return we	ere:			
Market related		Market related		Market related	
long term rate of	Value at	long term rate of	Value at	long term rate of	Value at

	Market related long term rate of	Value at	Market related long term rate of	Value at	Market related long term rate of	Value at
	return expected at 31 January 2004	31 January 2004 £000	return expected at 25 January 2003	25 January 2003 £000	return expected at 26 January 2002	26 January 2002 £000
Equities	8.00%	19,978	8.00%	16,182	7.80%	16,334
Bonds Cash	5.00% 3.75%	7,570 197	4.25% 4.00%	6,798 335	5.00% 4.00%	7,948 638
Total market value of assets Present value of scheme liabili	ties	27,745 (32,340)		23,315 (29,528)		24,920 (25,070)
Deficit in the scheme Related deferred tax asset		(4,595) 1,379		(6,213) 1,864		(150) 45
Net pension liability		(3,216)		(4,349)		(105)



25 Pension commitments (continued)

If the above amounts had been recognised in the financial statements the Group's net assets and profit and loss reserve at 31 January 2004 and 25 January 2003 would be as follows:

	At	At
	31 January	25 January
	2004	2003
		(restated)
	£000	000£
Net assets per balance sheet	94,475	100,668
Pension prepayment already included in the balance sheet	(2,206)	(1,730)
Pension liability under FRS17	(3,216)	(4,349)
Tension hability under the 17	(0,210)	(4,047)
Net assets including FRS17 pension liability	89,053	94,589
Profit and loss account reserve per balance sheet	52,852	60,904
Pension prepayment already included in the balance sheet	(2,206)	(1,730)
Pension liability under FRS17	• • • • • • • • • • • • • • • • • • • •	
rension liability under FK517	(3,216)	(4,349)
Profit and loss account reserve including FRS17 pension liability	47,430	54,825

As the defined benefit element of the fund is effectively closed to new members, the average annual service cost per active member, calculated using the projected unit credit method, is likely to increase as the members of the scheme approach normal retirement age.

The following amounts would have been recognised in the performance statements in the period to 31 January 2004 under the requirements of FRS 17:

	2004 £000	2003 £000
Operating profit: Current service cost Past service cost	895	785 -
Total operating charge	895	785
Other finance income: Expected return on pension scheme assets Interest on pension scheme liabilities	1,602 (1,595)	1,760 (1,442)
Net return	7	318
Statement of total recognised gains and losses: Actual return less expected return on pension scheme assets Experience gains and losses arising on scheme liabilities Changes in assumptions underlying the present values of the scheme liabilities	2,672 (45) (1,183)	(5,246) (2,077) (932)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	1,444	(8,255)
Movement in deficit during the period: Deficit in the scheme at the beginning of the period Movement in the year:	(6,213)	(150)
 current service costs contributions past service cost 	(895) 1,062	(785) 2,659
other finance incomeactuarial gain/(loss)	7 1,444	318 (8,255)
Deficit in the scheme at the end of the period	(4,595)	(6,213)

25 Pension commitments (continued)

	2004 £000	2003 £000
Details of experience gains and losses: Difference between the expected and actual return on scheme assets: Amount (£000s) Percentage of scheme assets	2,672 10%	(5,246) 23%
Experience gains and losses on scheme liabilities: Amount (£000s) Percentage of scheme liabilities	45 0 %	(2,077) 7%
Total amount recognised in the statement of total recognised gains and losses: Amount (£000s) Percentage of scheme liabilities	1,444 5%	(8,255) 28%

26 Related party transactions

In accordance with Financial Reporting Standard No. 8, the Company has not disclosed related party transactions with Alexon group companies where at least 90% of the voting rights are controlled within the Group.

27 Principal subsidiaries

The principal subsidiary undertakings of the Group and Company as at 31 January 2004 were:

Name of company	Holding	Held by	Proportion of voting rights and shares held	Nature of business
Alexon International Limited	Ordinary shares	Group	100%	Womenswear
Dolcis Limited	Ordinary shares	Group	100%	Footwear
Epcoscan Limited	Ordinary shares	Group	100%	Womenswear
Style Menswear Limited	Ordinary shares	Group	100%	Menswear

Alexon International Limited trades as Alexon, Alex & Co, Eastex, Dash, Ann Harvey, Kaliko, Minuet and MEAD manufacturing.

Epcoscan Limited trades as Bay Trading Company.

Style Menswear trades as Envy, Willson, AW Trench, Equity, Diffusion and Parkes.

All principal subsidiaries are incorporated in the United Kingdom.

	53 weeks to January 2004 £000	52 weeks to January 2003 (restated) £000	52 weeks to January 2002 £000	52 weeks to January 2001 £000	52 weeks to January 2000 £000
Profit and loss account					
Turnover					
continuing operations	416,429	398,405	373,632	340,531	150,568
acquisitions	-	_	_	_	78,632
	416,429	398,405	373,632	340,531	229,200
Operating profit excluding associate and before goodwill amortisation					
continuing operations	31,582	30,345	24,232	13,645	14,801
acquisitions	-	_	_	_	2,642
	31,582	30,345	24,232	13,645	17,443
Goodwill amortisation	(2,400)	(2,400)	(2,400)	(2,400)	(700)
Share of associate company losses	-	_	_	_	(2,194)
Operating profit	29,182	27,945	21,832	11,245	14,549
Profit on ordinary activities before tax	29,402	27,705	20,784	9,608	15,025
Profit on ordinary activities after tax Transfer to reserves	22,174 16,763	19,478 14,665	14,123 11,042	7,232 4,710	10,039 8,770
Transfer to reserves	10,703	14,003	11,042	4,710	8,770
Balance sheet					
Tangible fixed assets	20,572	21,191	17,873	20,040	21,301
Net current assets	37,286	40,374	30,104	19,851	15,396
Shareholders' funds	94,475	100,668	86,181	77,260	72,447
Statistical information					
Operating profit excluding associate and before goodwill amortisation on total turnover	7.6%	7.6%	6.5%	4.0%	7.6%
Profit on ordinary activities before tax	7.070	7.070	0.576	4.070	7.070
on total turnover	7.1 %	7.0%	5.6%	2.8%	6.6%
Profit on ordinary activities before tax					
on shareholders' funds	31.1%	27.5%	24.1%	12.4%	20.7%
Earnings per share – basic	35.53p	30.41p	20.72p	9.42p	14.46p
- adjusted	39.54p	34.42p	24.58p	13.22p	15.62p



NOTICE IS HEREBY GIVEN that the fifty-seventh Annual General Meeting of Alexon Group plc will be held at 40-48 Guildford Street, Luton LU1 2PB on 27 May 2004 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

- 1. To receive and adopt the annual financial statements for the 53 weeks to 31 January 2004, together with the reports of the directors and auditors thereon.
- 2. To declare a final ordinary dividend of 5.17p per ordinary share for the period ended 31 January 2004 to be paid on 30 June 2004 to shareholders registered on 4 June 2004.
- 3. In accordance with article 112 of the Company's articles of association, to reappoint J. Herbert, who has been appointed as a director since the last Annual General Meeting.
- 4. In accordance with article 106 of the Company's articles of association to reappoint M.P. Adams as a director of the Company.
- 5. In accordance with article 106 of the Company's articles of association to reappoint P.E.Cooper as a director of the Company.
- 6. To reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the directors to set their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which numbers 7 and 8 will be proposed as ordinary resolutions and numbers 9 and 10 will be proposed as special resolutions:-

- 7. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the said Act) up to an aggregate nominal amount of £2,033,100, this authority to expire at the conclusion of the Annual General Meeting of the Company in 2005 or 26 November 2005, whichever is the earlier (save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired).
- 8. To approve the directors' remuneration report for the 53 weeks ended on 31 January 2004.
- 9. That the directors be and are hereby empowered pursuant to section 95(1) of the Companies Act 1985 to:
 - (a) subject to the passing of resolution 7 above, allot equity securities (as defined in section 94 of the Companies Act 1985) for cash pursuant to the authority conferred by resolution 7 above as if section 89(1) of the said Act did not apply to any such allotment; and
 - (b) sell relevant shares (as defined in section 94(5) of the said Act) in the Company if, immediately before the sale such shares are held by the Company as treasury shares (as defined in section 162A(3) of the said Act) ("treasury shares") for cash (as defined in section 162D(2) of the said Act), as if section 89(1) of the said Act did not apply to any such sale,

provided that such power shall be limited to the allotment of equity securities and the sale of treasury shares:

(i) in connection with a rights (or other pre-emptive) issue in favour of all holders of a class of equity securities (provided that such issue shall be to ordinary shareholders or shall be accompanied by an issue on appropriate terms to ordinary shareholders) where the equity securities respectively attributable to the interests of all holders of securities of such class are either proportionate (as nearly as may be) to the respective number of equity securities of that class held by them or are otherwise allotted in accordance with the rights conferred on such equity securities but subject in either case to such exclusions or other arrangements as the directors may deem necessary or desirable in relation to fractional entitlements or legal or practical problems arising under, or pursuant to, the laws of any territory or the requirements of any regulatory body or stock exchange in any territory; and



- (ii) otherwise than pursuant to (i) above, up to an aggregate nominal amount of £304,965
- and this power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 or 26 November 2005, whichever is the earlier (save that the Company may before the expiry of such power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after the expiry of such power and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired).
- 10. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163(3) of that Act) of any of its ordinary shares of 10p each in the capital of the Company on such terms and in such manner as the directors may from time to time determine provided that:
 - (a) the maximum number of ordinary shares which may be purchased is 6,099,300 representing approximately 10 per cent. of the issued ordinary share capital at 31 January 2004;
 - (b) the minimum price which may be paid for each ordinary share is 10p which amount shall be exclusive of expenses, if any;
 - (c) the maximum price which may be paid for each ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for the ordinary shares of the Company as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such share is contracted to be purchased;
 - (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the annual general meeting in 2005 or 26 November 2005, whichever is the earlier; and
 - (e) under this authority the Company may make a contract to purchase ordinary shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired.

By order of the board

R.A.K.W. Piggott

Secretary

22 April 2004

NOTES

The share capital of the Company is divided into ordinary shares.

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of shareholders of the Company by no later than 6 p.m. on 25 May 2004, being not more than 48 hours before the time fixed for the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Only holders of ordinary shares are entitled to attend and vote on all of the resolutions proposed at this meeting.

A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend (and on a poll to vote) instead of him or her. Forms of proxy need to be deposited with the Company's registrar, Lloyds TSB Registrars, not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.

The register of directors' interests and those of their families in the share and loan capital of the Company, together with copies of the directors' service agreements, are available for inspection at the Company's registered office on any weekday, except Saturday, during normal business hours from the date of this notice until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.