



# ANNUAL REPORT



**ALEXON**

EXPERIENCE. INSIGHT. DESIGN.

**Alexon Group plc**

Annual Report and Accounts  
for the 52 weeks ending 29 January 2011

Stock code: AXN



**Alexon Group plc** is a ladies clothing retailer with six established brands across the UK and Europe in more than 990 outlets. Our focus is fashionable clothes that are well designed and good quality. Our clothes allow our women to feel empowered, whoever they are.

For further information visit our website [www.alexongroup.co.uk](http://www.alexongroup.co.uk)

## Financial highlights

- ▶ Turnover down 11.4% at £135.9 million, like-for-like sales down 3.4%
- ▶ Gross margin up by 0.1%
- ▶ Pre-tax profit from continuing operations, before exceptional items, of £0.8 million (2010: loss of £0.9 million)
- ▶ Pre-tax profit from continuing operations, after exceptional items, of £0.1 million (2010: loss of £14.3 million)
- ▶ Year end net debt of £8.7 million (2010: £9.0 million)
- ▶ No dividend proposed for the year (2010: nil)

## Strategic and operational highlights

- ▶ Refinancing and Capital Raising completed in March 2010
- ▶ Results significantly impacted by adverse weather conditions during the key Christmas trading period
- ▶ Continued progress with turnaround strategy
- ▶ 51 onerous leases exited
- ▶ £2.5 million investment in store refits, new concession openings and logistics infrastructure

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# Group at a Glance

At Alexon we passionately believe that all women deserve, and are entitled to fashionable clothes that are well-designed, of good quality and fit beautifully. We appreciate and respect that not all women are the same, but all women love wearing and benefit from great design.

## Alexon

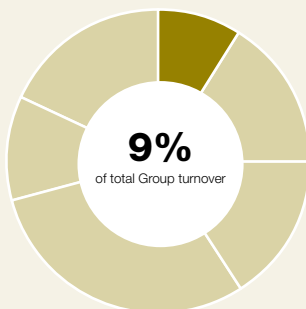
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### Overview

Clean lines, easy silhouettes and modernist styling define the Alexon collection. Designed to be an easy to mix and match range, the clothes are aimed at the woman who loves looking smart and co-ordinated. Smart tailoring, glamorous occasionwear and relaxed weekend wear is available throughout the year, ensuring you look elegant and sophisticated for all your events.

Visit: [www.alexon.co.uk](http://www.alexon.co.uk)



**UK outlets: 100**

**European outlets: 21**

## ANN HARVEY

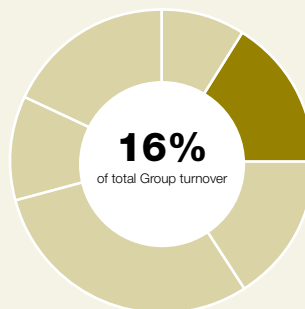
LONDON



### Overview

Ann Harvey is designed exclusively for women with curves, offering a range of high quality contemporary large ladies' fashion clothing to flatter sizes 16–32. The range provides modern soft separates, relaxed and stylish casual wear, elegant and glamorous occasion wear. The Ann Harvey range of women's outsize clothes, jackets and coats feature well cut and sophisticated tailoring.

Visit: [www.annharveyfashion.co.uk](http://www.annharveyfashion.co.uk)



**UK outlets: 87**

**European outlets: 28**

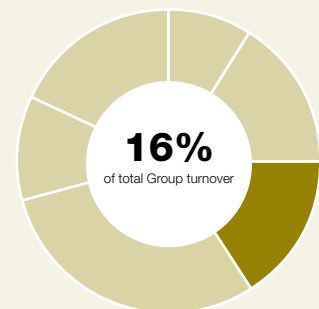
## Kaliko



### Overview

Kaliko is unique and individual, with a fresh and feminine signature defined by gorgeous fabrication, fabulous prints and stylish cut. With a selection of adaptable pieces, that smoothly translate from the office to weekend, from day to night, Kaliko brings a stable of fashionable, easy, wearable pieces that reflect the needs of today's women.

Visit: [www.kaliko.co.uk](http://www.kaliko.co.uk)



**UK outlets: 120**

**European outlets: 28**

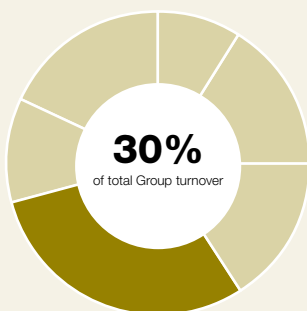
For over 80 years we've been creating styles that offer all women, in every shape, at every stage of their life, design that makes them look great and feel fabulous. Whether it be the distinctive detail of Kaliko, the tailored quality of Eastex, the glamorous style of Alexon or the beautifully fashionable fit of Ann Harvey, all of our brands empower our customers to feel confident, to be themselves, whoever they are.



#### Overview

Smart and sophisticated, Eastex is the destination shop for all your seasonal essentials. You will find a range of looks to suit all occasions, as well as great updates for your everyday wardrobe. Eastex is an established collection available in sizes 10–20, providing you with quality and comfort without compromising on style.

Visit: [www.eastex.co.uk](http://www.eastex.co.uk)



UK outlets: **259**

European outlets: **27**

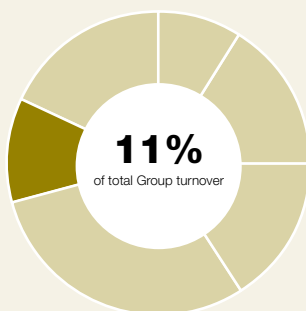
## MINUET PETITE



#### Overview

Sophisticated, glamorous and feminine, Minuet Petite is a timeless collection of clothing for the modern, discerning woman who just happens to be 5'3" or under. The range features luxurious fabrics, coordinated with original prints in stunning colour palettes. These are easy to wear, well-cut clothes that are designed to lengthen the silhouette and inspire confidence.

Visit: [www.minuet-petite.co.uk](http://www.minuet-petite.co.uk)



UK outlets: **108**

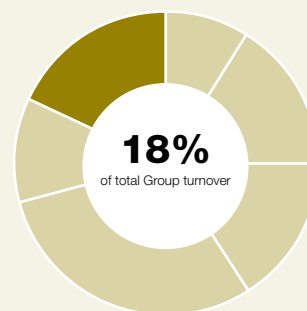
European outlets: **25**



#### Overview

Dash offers a classic yet modern collection for all occasions. Providing head to toe, practical and versatile clothing, using quality fabrics in exclusive colours. With sizes from 10–22, the fit is flattering and forgiving, and fabrics are soft, easy care and comfortable.

Visit: [www.dashfashion.co.uk](http://www.dashfashion.co.uk)



UK outlets: **214**

European outlets: **22**

# Chairman's Statement

Richard Handover CBE

“ This has been another year of hard work by everyone in the company, with continued investment in all our brands. We have strengthened our online presence, introduced new mail order routes, opened 115 new concessions and completed the installation of a new automated warehouse management system. ”

In spite of the challenging macro-economic environment and the particularly difficult trading conditions at the end of last year, I am pleased to report that Alexon Group has made continued progress with its turnaround strategy.

This has been another year of hard work by everyone in the Company, with continued investment in all our brands. We have strengthened our online presence; introduced new mail order routes; opened 115 new concessions and completed the installation of a new automated warehouse management system.

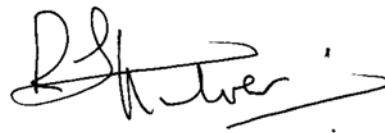
Our property portfolio reorganisation progressed well and we continue to look at ways to ensure that we have the correct portfolio to drive growth. Reflecting the continued progress made on our turnaround, we are pleased that the Group has now successfully returned to profit.

In July, Avril Palmer-Baunack joined the Board as a non-executive Director. Avril brings a wealth of experience from her time as Chief Executive Officer of Autologic Holdings and previously Chief Executive Officer at Universal Salvage. David Adams joined the Board as a non-executive Director in September. David is currently Chairman of Snap Equity Limited and was previously Deputy Chief Executive Officer and Group Finance Director at House of Fraser. Prior to that he held Finance Director roles at Asprey and Texas Homecare and senior finance roles at the Burton Group. David is a non-executive Director at JJB Sports, Halfords and the British Retail Consortium (Trading), as well as being a non-executive Director and Trustee at Walk the Walk.

On 28 April 2011 I announced my decision to step down from the Board with effect from 31 May. I believe that very good progress has been made over the last three years and now is the right time for me to hand the reins over to David Adams. On behalf of the Board, I would like to congratulate David on his appointment as Chairman of Alexon. David has a first class track record and has considerable experience in the retail sector which is proving invaluable to Alexon. I wish him all the best for the future and I am pleased that David has accepted the position.

On a personal note, I would like to thank all my non-executive colleagues for their support throughout my term as Chairman. I'd also like to commend Jane McNally, the Chief Executive, for her work since her appointment in June 2008. Jane has ensured that the turnaround continues to progress well, and her dedication and commitment to the Group have been exemplary.

There is no doubt that 2011 will be another challenging year for Alexon Group and the retail sector more generally. However, the company is in very good hands. I am confident that the work Jane and her team are doing to turn around the business will help ensure the Group has a bright future.



**Richard Handover CBE**

Chairman



# Chief Executive's Statement

Jane McNally

“ We have made a solid start to 2011 with like-for-like sales for the first twelve weeks up 2.9% year-on-year. We are beginning to see the results of the turnaround strategy coming through. ”

I would like to take this opportunity to thank each and every member of the Alexon Group team for their hard work and dedication over the last year which has been instrumental in helping us make such good progress with our turnaround.

## Current trading

Whilst challenges remain, underlying performance is improving. The snow in December hit us hard, but we still saw a return to profit in 2010. We have made a solid start to 2011 with like-for-like sales for the first 12 weeks up 2.9% year-on-year. We are beginning to see the results of the turnaround strategy coming through. With the exception of Dash and Minuet, all of the brands within our portfolio are performing in line with our expectations.

## Strategic opportunities

In terms of strategic objectives, there is a real opportunity to further increase profitability. This will be achieved through improving the mix in routes to market including further online expansion; rolling out enhanced brand environments through our refit programme; investing in improved store communications and merchandising systems to drive further improvement in net margin and stockturn; and pursuing a gradual strategic standalone opening programme for selected brands.

## Future challenges

The outlook for the UK retail sector as a whole continues to remain challenging. A rise in the rate of VAT from 17.5% to 20.0% took effect in January 2011 and inflationary pressures are giving rise to expected increases in interest rates. Recent announcements concerning austerity measures will also impact consumer confidence and discretionary spending.

The combination of challenging market conditions and the reduction in revenue as a result of the severe weather conditions in December have impacted the Group's ability to invest in the turnaround. Whilst the Group has continued to make good progress implementing the turnaround plan, the Board considers that a more appropriate capital structure would enable it to secure and accelerate the turnaround plan and is exploring its options accordingly.

Thus, whilst 2011 will continue to prove challenging, we are pleased to have made good progress in implementing our turnaround plan and can see the underlying positive growth starting to come through.

**Jane McNally**  
Chief Executive

## Online Sales up 144%

### 2010: An overview

2010 was a difficult year for the retail industry with rises in raw material prices, increases in the rate of VAT and harsh weather conditions during the most important trading period in December. In spite of these pressures I am pleased that we have made continued progress with our turnaround and that we have returned to profitability as a result.

A strong foundation has been built. We have made good progress with our planned property portfolio reorganisation, exiting 51 onerous loss-making leases. We have invested in a turnaround of brand marketing and design with new brand environments for Dash and Eastex; rapidly expanded our online sales; completed 51 store and concession refits; achieved substantive new business growth and revamped our logistical network. These achievements are the cornerstones of the strategy that I initiated upon my appointment in 2008.

### Management

We continue to strengthen the top team. Kirstie Watson, formerly of Warehouse, Rubicon Group and the British Fashion Council, joined as Human Resources Director, replacing our previous interim Director. Giles Delafeld joined in January 2011 as Group E-Commerce Director from Blacks Leisure, and senior e-commerce roles at Dixons Group and Lloyds banking group prior to that. At brand level the team was strengthened with new controller appointments on Alexon, Ann Harvey and Eastex.

# Operating and Financial Review

## Capital Raising

On 23 March 2010 the Company issued 101,600,985 new ordinary shares by way of a placing and open offer (the "Capital Raising"). The net proceeds of the share issue amounted to £18.2 million after associated costs of £2.2 million. The proceeds have been used to:

- exit a number of onerous leases;
- develop new brand environments and blueprints for refreshed brand identities;
- refit a number of existing stores and concessions;
- open new stores and concessions;
- centralise the Group's distribution centres and implement a new automated warehouse management system.

Prior to the Capital Raising the Group identified a number of property leases which were considered to be onerous on account of their unfavourable commercial terms and/or inappropriate locations. To date the Group has exited 51 onerous leases at a cost of £8.6 million resulting in the avoidance of annual operating losses of £6.6 million. A further nine leases have been re-gearred resulting in reduced rental costs of £0.2 million per annum.

During the period the Group has invested £0.8 million in the refit of four existing stores and 47 existing concessions, and a further £0.4 million in order to open 115 new concessions.

The Group started the year with three distribution centres which have now been centralised into one location. New storage racking has been installed at a cost of £0.5 million and the Group has very recently completed the implementation of a new automated warehouse management system which will drive efficiencies and enable the expansion of multi-channel routes to market.

## Overview of financial performance

Group sales from continuing operations for the 52 weeks ended 29 January 2011 were down 3.4% on a like-for-like basis. Gross margins increased by 0.1% on the prior year with higher intake margins offset by increased markdowns required to clear stock. The extreme weather conditions in November and December 2010 impacted considerably on sales at a crucial time. Pre-tax profit from continuing operations, before exceptional items, was in line with management's expectations at £0.8 million (2010: loss of £0.9 million), reflecting the significant impact of extreme weather conditions and stock clearance activity. Pre-tax profit from continuing operations, after exceptional items of £0.7 million, was £0.1 million (2010: loss of £14.3 million).

Exceptional items in relation to continuing operations resulting from the restructuring of the business totalled £0.7 million. The total net charge before tax from exceptional items for the year,

including those relating to discontinued operations, was £0.8 million (2010: £5.0 million).

Earnings per share from continuing operations before exceptional items was 0.43p (2010: loss per share of 1.85p). Earnings per share from total operations was 0.57p (2010: loss per share of 12.98p).

Stock levels were 4.5% higher than at the same point last year, as a result of the poor weather during late November and December, and earlier deliveries of spring summer stock into the business. The Autumn/Winter terminal stock ratio was slightly higher than the prior year at the period end. Subsequent markdowns have been applied to reduce terminal stock levels to manageable proportions.

Net debt at 29 January 2011 was £8.7 million (2010: net debt of £9.0 million).

## Dividend

The Board will not declare a final dividend in respect of the financial year ended 29 January 2011.

## Refinancing

The Group has renegotiated its banking facilities and covenants with Barclays Bank ("Barclays"). The new facilities incorporate an additional £2.5 million short-term loan facility expiring on 31 July 2012 and a deferral of the scheduled repayment of £1.5 million due in July 2011 to the same date. In addition the Group is currently in the process of selling its properties in Cardiff and Milton Keynes and a proportion of the proceeds will be used to reduce the facility. The remaining facilities remain unchanged. Further details are provided in note 16.

As part of the increased bank facilities, the Group has granted Barclays warrants to subscribe for 6,156,902 new ordinary shares (representing approximately 4% of Alexon's issued share capital on a fully diluted basis) at a strike price of 12.5 pence per share (the nominal value). The warrants have a life of six years.

There is no change to the interest margin payable on the facilities, and the increased cost of the new facility including an arrangement fee and monitoring fees will amount to approximately £0.5 million in respect of the current financial year.

The combination of challenging market conditions and the £5 million reduction in revenues as a result of the December trading losses has impacted the Group's ability to invest in the turnaround. Whilst the Group has continued to make good progress implementing the plan, the Board considers that a more appropriate capital structure would enable it to secure and accelerate the turnaround plan and is exploring its options accordingly.

The Directors are confident that they will be able to refinance the business on to a more appropriate capital base well ahead of any requirement for additional facilities and therefore that the going concern basis of preparation is appropriate.

### Outlets

#### Summary of number of outlets as at 29 January 2011

	UK Standalones	UK Concessions	Europe	Total
Alexon	1	99	21	121
Eastex	1	258	27	286
Ann Harvey	41	46	28	115
Dash	12	202	22	236
Kaliko	11	109	28	148
Minuet	3	105	25	133
Clearance outlets ("Stock Trading")	8	14	1	23
Web shop	6	14	0	20
	<b>83</b>	<b>847</b>	<b>152</b>	<b>1,082</b>

### Current trading and outlook

We are pleased to report that trading since the year end has been encouraging and broadly in line with management expectations against a tough economic backdrop. We are also pleased that our new Spring/Summer collections have been well received by our host store partners. With the exception of Minuet and Dash, all brands are performing in line with our expectations. Group like-for-like sales for the 12 weeks ended 23 April 2011 were up 2.9%. Overall gross margin is slightly down having been impacted by additional markdowns required to clear the excess stock resulting from the loss of turnover during the severe weather conditions at the end of 2010.

Looking ahead, whilst the higher costs of the increased bank facility are expected to impact the result for the current year and the outlook for the retail market remains challenging, the actions taken by the Group and the underlying operational performance of the business, as evidenced by recent LFL sales growth, provide a positive platform for improved financial performance going forward.



# Directors' Report

The Directors present their Annual Report together with the financial statements for the 52 weeks to 29 January 2011.

## General information

Alexon Group plc is a limited liability company incorporated and domiciled in the United Kingdom. The address of the registered office is shown on the inside back cover. The Company is listed on the London Stock Exchange.

## Business review

### Principal activities

The principal activity of the Group is the retailing of ladies clothing, offering co-ordinated fashion ranges to women who appreciate classical styling and quality.

### Key performance indicators

The Board monitors the development and progress of the Group by reference to the following key performance indicators.

### Like-for-like (LFL) sales performance

LFL performance is measured as the change in sales for stores which have been trading from the same space for a full calendar year.

LFL sales are monitored on a weekly basis and are considered to be an accurate reflection of the acceptability and appeal of our fashion ranges to our customers as well as the overall trading environment.

Group LFL sales for the 52 weeks to 29 January 2011 showed a decrease of 3.4% reflecting a tough trading environment and severe weather conditions during the key Christmas period.

### Gross margin percentage

Gross margins are measured as the ratio of income from sales after deducting the cost of the goods sold, to the value of those sales. Gross margins are monitored on a weekly basis.

Whilst the cost of the goods sold is fixed by reference to the purchase price, the gross margin is affected by the sales values achieved. Products are initially offered for sale at price points intended to offer good value for money to the target customer. Selling prices are subsequently reduced, ('marked down'), during 'sale' periods and at the end of each selling season in order to control stock levels. If the product sells well at the initial price point it will achieve a higher gross margin.

Increased markdown activity can be a measure of the acceptability of product ranges as well as an indication of the general economic climate. Overall gross margin for the Group increased by 0.1% in the period under review. Whilst the annual trend in gross margins is disclosed, the Group does not disclose specific gross margin percentages.

Performance during the period under review and future developments are detailed within the Operating and Financial Review on pages 6 and 7.

### Principal risks and uncertainties facing the Group

The Group is exposed to the risks of the prevailing economic climate and uncertain outlook which has led to reduced consumer demand and reduced income.

The UK high street is a highly competitive environment and the Group also faces competition from the increasing popularity of purchasing via the internet.

The success of the Group is dependent on its ability to provide quality designs and fashions and to anticipate and respond to changing consumer taste and fashion trends. Product design and selection is therefore key to retaining market share and generating revenue, particularly in periods in which consumer confidence is negatively affected. The Group depends on the reputation of the Alexon brand names which are an important asset of its business. Any events that negatively affect this reputation could have a material adverse effect on the business.

The retail business is subject to seasonal peaks. If sales during its peak seasons, particularly the Christmas season, are significantly lower than forecast, it may be left with substantial unsold stock which can only be sold at reduced prices. Unseasonal or severe weather conditions can also significantly affect sales and increase the volume of stock which must be sold at reduced prices.

The Group generates a significant proportion of its turnover from concessions within third party department stores. The loss of a significant host store relationship could have an adverse effect on the Group's business. The Group attempts to minimise the risk by maintaining regular dialogue with the host stores in relation to sales performance and planned range developments.

The location of a concession within a department store has an important impact on sales performance in that concession. Changes in location to a less favourable position within the store can have a detrimental effect on sales performance.

The Group has a number of short leasehold premises which are subject to regular rent reviews. Significant increases in rents could affect the economic viability of individual units.

The Group has an occupational defined benefit pension scheme which is exposed to various risks which could affect its funding obligations in the longer term. The scheme's assets are subject to the risks inherent with movements in market values of equity and bond investments. The risk attaching to the scheme's liabilities has been reduced by the decision to close the scheme to future benefit accrual from 31 July 2009 and the consequent loss of the link to future salary increases.

A substantial proportion of the Group's imports are paid for in US dollars. The business is therefore subject to risks arising from fluctuations in currency exchange rates which its foreign exchange hedging strategies may not protect.

Factors outside the Group's control which may materially adversely affect the business include changes to law, governmental regulations or taxes in the countries in which it operates; damage or interruptions due to operational disruption; increases in energy costs; natural disaster or terrorist activity.

### Results and dividends

The results for the period are included within the Operating and Financial Review on pages 6 and 7.

No dividends have been recommended or paid in this period or the prior period.

### Directors and their interests

The Directors of the Company as at 29 January 2011 are shown on the inside back cover.

In accordance with the Articles of Association, one-third (rounded down) of the Directors of the Company are required to retire by rotation at each Annual General Meeting ('AGM'), together with Directors appointed to the Board since the last AGM. Consequently, J. Boyle and P. Redhead, by rotation, and D. Adams and A. Palmer-Baunack by appointment, retire from office at the forthcoming AGM 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 Directors' Remuneration Report.

### Executive Directors

Jane McNally, aged 49, joined the Group in June 2008 as Chief Executive Officer. Mrs McNally previously held the position of Director of Buying and Merchandising at Peacocks Group.

John Boyle, (Group Finance Director and Company Secretary), aged 47, joined the Group in October 2009. Mr Boyle spent over ten years working for Selfridges and previously Halfords, having started his career as a Chartered Accountant at KPMG.

### Non-executive Directors

Richard Handover, CBE, aged 65, joined the Group in March 2008 as non-executive Chairman. He spent a number of years at W H Smith where he held the posts of managing director, Chief Executive and Chairman. He is currently a non-executive director of Royal Mail, Chairman of Dauntsey's School, vice-Chairman of the registered charity Kids Company, and Chairman of the Wiltshire and Swindon Community Foundation.

Peter Redhead, aged 45, joined the Group in November 2008. Mr Redhead runs his own executive coaching company, Redhead Coaching Ltd, and was previously a managing director with investment bank JP Morgan in London, running the European Equity Research Group. Mr Redhead is the appointed senior independent director.

Avril Palmer-Baunack, aged 46, joined the Group in July 2010. Mrs Palmer-Baunack is currently Chief Executive Officer of Autologic Holdings, the AIM quoted automotive services company. She has over 20 years commercial experience, including tenure as Chief Executive Officer at Universal Salvage where she led a successful turnaround strategy. She is also a non-executive director of Helphire Group.

David Adams, aged 56, joined the Group in September 2010. Mr Adams is currently Chairman of Snap Equity Limited and was previously Deputy Chief Executive Officer and Group Finance Director at House of Fraser. He is also a non-executive director at JJB Sports, Halfords, the British Retail Consortium and Trustee at Walk the Walk.

Adrian Moulds resigned from the Board on 31 December 2010.

### 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 ordinary shares in circumstances which the Directors feel would be beneficial to the Company's shareholders. Whilst this authority is still valid no such purchases had been made up to the date of this report.

### Share capital

On 24 March 2010 an additional 101,600,985 ordinary shares of 12.5p each were issued following a firm placing and open offer of new ordinary shares in the Company.

At 29 January 2011 the Company's issued share capital consisted entirely of 147,112,753 ordinary shares of 12.5p each.

There are no restrictions governing the voting rights or transfer of the Company's ordinary shares, nor limitations on individual holdings. None of the ordinary shares carry any special rights and the Company is not aware of any agreements between shareholders which may restrict the transfer of shares or their voting rights.

### Change of control

The Group is party to a number of agreements under which it trades as concessions in host department stores. These agreements generally carry a clause which permits the host store to terminate the concession agreement in the event that there is a change of control in relation to the Group.

Awards of shares under the long-term incentive scheme would also vest, subject to the Company's discretion, in the event of a change of control.

# Directors' Report

continued

## Substantial shareholdings

At 6 May 2011 the Directors had been notified of interests amounting to 3% or more in the issued ordinary share capital of the Company as follows:

	Holdings of 12.5p ordinary shares	% of issued ordinary share capital
Schroder Investment Management Limited	42,532,038	28.9%
Bandera Partners LLC	39,783,702	27.0%
Henderson Global Investors	20,683,813	14.1%
Legal & General Group	9,747,143	6.6%
M&G Investment Management Limited	5,390,521	3.7%
Church House Investments	5,144,500	3.5%

## 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. During this period and the prior period no dividends were waived by the Trust.

## Special Business at the Annual General Meeting

Resolution No. 8 is to approve the Directors' Remuneration Report for the 52 weeks ended 29 January 2011, which can be found on pages 14 to 16 of this document.

The Directors may allot shares, or grant rights to subscribe for, or convert any security into, shares only if authorised to do so by shareholders. 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 an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert into, shares (a) up to an aggregate nominal amount of £6,095,319 and (b) in connection with a rights issue, up to an aggregate nominal value (reduced by allotments under part (a) of the resolution) of £12,190,639.

These amounts represent approximately 33.33% and 66.66% respectively of the total issued ordinary share capital of the Company (excluding 825,088 treasury shares) as at 29 January 2011. If given, these authorities will expire at the Annual General Meeting in 2012 or on 31 July 2012, whichever is the earlier.

The Directors have no present intention of issuing shares pursuant to this authority other than pursuant to employee share plans. If the Directors resolve to use the additional headroom in respect of a fully pre-emptive rights issue, all Directors will stand for re-election at the AGM that follows that rights issue in accordance with the Association of British Insurers' guidelines.

As at the date of this report the Company held 825,088 ordinary shares as treasury shares representing approximately 0.6% of the total ordinary share capital in issue (excluding treasury shares).

The Directors also require additional authority from shareholders to allot shares, grant rights over shares or sell treasury shares 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. 10 will be proposed as a special resolution to grant such authority. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the issue of shares and sales of treasury shares for cash up to an aggregate nominal value of £919,455 (being approximately 5% of the Company's issued ordinary share capital at 29 January 2011). If given, this authority will expire on 31 July 2012 or at the conclusion of the Annual General Meeting in 2012, whichever is the earlier. The Directors will have due regard to institutional guidelines in relation to any exercise of this authority, in particular the requirement for advance consultation and explanation before making any non pre-emptive cash issue pursuant to this resolution which exceeds 7.5% of the Company's issued share capital in any rolling three year period.

Resolution No. 11 will, if passed, renew the authority of the Company to purchase its own shares in the market up to a limit of 10% of its issued ordinary share capital. The maximum and minimum prices are stated in the resolution. The Directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. The Directors will exercise this authority only 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.

In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, subject to the Companies (Acquisition of Own Shares), (Treasury Shares) Regulations 2003 (the "Regulations") which came into force on 1 December 2003, be retained as treasury shares. 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.

Any issue of treasury shares for the purpose of the Company's employee share schemes will be made within the 10% anti-dilution limit set by the Association of British Insurers.

Changes made to the Companies Act 2006 by the Companies (Shareholders' Rights) Regulations 2009 increase the notice period required for general meetings of the Company to at least 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (Annual general meetings will continue to be held on at least 21 clear days' notice.)

Prior to the implementation of the Companies (Shareholders' Rights) Regulations 2009 on 3 August 2009, the Company was able to call general meetings, other than an Annual General Meeting, on at least 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, Resolution No. 12 seeks the necessary shareholder approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The flexibility offered by this resolution will be used where, taking into account the circumstances, the Directors consider this appropriate in relation to the business to be considered at the meeting.

The changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

### **Statement of Directors' responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the financial statements**

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Directors' Report

continued

Each of the Directors, whose names and functions are listed on the inside back cover, confirm that, to the best of each person's knowledge and belief:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position of the Group and the Company, and profits of the Group; and
- pages 8 and 9 of the Directors' Report include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face. In the case of each Director in office at the date on which the Directors' Report is approved, that:
  - (a) so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
  - (b) he/she has taken the steps that he/she ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution concerning their reappointment will be proposed 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 charged on loans and overdrafts under the new bank facilities agreed in March 2010, as amended on 27 April 2011, are linked to LIBOR and variable bank base rates. The Group will consider the use of derivatives to fix interest rates in the future if circumstances indicate this to be advantageous.

The Group's liquidity or finance risk relates to its ability to fund its day to day operations which it does by a combination of equity capital and bank funding. The Group's banking facilities are regularly reviewed to ensure that they are adequate. The new facilities agreed on 27 April 2011 provide additional funding to 31 July 2012, subject to reductions arising from a proportion of the property disposal proceeds.

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 Group has minimal investment in foreign operations whose net assets are exposed to foreign currency translation risk. A small proportion of trade receivables are denominated in euros. Payables denominated in US dollars are hedged six to nine months in advance of when the payment is due and therefore the Group's exposure to foreign currency translation risk in the short term is minimal.

## Credit risk

The Group's credit risk centres on its relationship with host department stores through which it trades as concessions, and also with banks with which deposits and derivatives are placed. Payments due from host department stores are subject to contractual terms and are closely monitored to ensure that payments do not become overdue and subject to possible default.

Sales made to customers in the Group's own high street stores are either in cash or by major credit cards.

It is Company policy to place deposits and derivatives with banks which have a minimum credit rating of AA (Standard and Poor's rating).

## 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 are agreed with suppliers and any disputes arising are settled as soon as possible. At 29 January 2011 the value of trade creditors outstanding in the Group was equivalent to 46 days purchases (2010: 44 days). The Company had no trade creditors outstanding as at 29 January 2011 (2010: nil).

## Charitable donations

Charitable donations of £55 were made during the year (2010: £1,230). Donations are made to both local and national charities in response to their requests. No political donations were made during the period.

### Environmental and corporate social responsibility

The Group acknowledges the issues facing the environment and makes every effort to adopt a responsible attitude whilst meeting all its business objectives. Some examples of the measures taken are:

- a large proportion of garments are sourced from the Far East and transported using modern container ships which is one of the most environmentally friendly modes of transport;
- a network delivery system is utilised in the UK and in Europe to minimise road haulage;
- a large portion of waste cardboard is recycled from the main distribution centres;
- employees are encouraged to use rail travel for business journeys and air travel is used only where necessary. Risk assessments carried out across the Group's operations take account of environmental, social and ethical matters.

### Pension Scheme Trustees

The trustees of the Alexon Group Amalgamated Pension Scheme are Mr D. Adams and Mr D. 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.

### Health and safety

The Company recognises its responsibility for the health and safety of its employees, customers and visitors. It is committed to ensuring that all reasonable precautions are taken to provide and maintain a safe working environment by ensuring that all those within the organisation who are responsible for health and safety have the necessary training and instruction to enable them to carry out their responsibilities and comply with all statutory requirements and codes of practice.

### J. Boyle

Company Secretary

27 May 2011

# Directors' Remuneration Report

For the 52 weeks to 29 January 2011

## Members of the Remuneration Committee

The Remuneration Committee, which met on three occasions during the period under review, comprises Mr P. Redhead (Chairman) and Mr D. Adams. Mr Adams was appointed to the Committee following the resignation of Mr A. Moulds on 31 December 2010. Both Mr Redhead and Mr Adams are independent non-executive directors.

During the period the Committee received advice from Hewitt New Bridge Street Consultants in connection with the operation of the Alexon Group performance share plan and Deloitte LLP in relation to overall executive directors' remuneration.

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 is reviewed annually by the Committee and consists of basic salary, benefits, 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.

## Total shareholder return



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 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.

### Interests in shares

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

	<b>Ordinary 12.5p shares at 29 January 2011*</b>	Ordinary 12.5p shares at 30 January 2010
J. McNally	<b>88,000</b>	—
J. Boyle	<b>86,317</b>	—
R. Handover	<b>72,453</b>	—
A. Moulds	—	—
P. Redhead	—	—
D. Adams	—	—
A. Palmer-Baunack	—	—

\* or date of ceasing to be a Director if earlier

There have been no 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 awards made under the long-term incentive scheme.

### Vesting criteria for long-term incentive scheme

Details of the awards made under the long-term incentive scheme are provided on page 50.

An award will vest only if a specified performance condition has been satisfied and the recipient is still employed by the Group. This condition will be disclosed each year in the Group's Annual Report 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 on awards vesting up to and including 2012 is 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:

<b>Average compound annual EPS growth above RPI</b>	<b>Percentage of award that vests</b>
Less than 3%	0%
3%	33%
8%	100%

Awards will vest on a straight-line basis where EPS growth is between 3% and 8% 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 awards vesting in 2013 the performance condition is based on the Company's earnings per share (EPS) for the financial year ending 26 January 2013 as follows:

<b>EPS for the financial year ending 26 January 2013</b>	<b>Percentage of award that vests</b>
Less than 6.25p	Zero
6.25p	33%
Between 6.25p and 8.25p	Pro rata between 33% and 100%
8.25p or above	100%

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 which 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. The maximum value of shares awarded under the scheme in each financial period is limited to the amount of the recipient's annual salary.

### Outside appointments for executive Directors

Executive Directors may be invited to become non-executive directors of other companies and retain any associated fees. None of the executive Directors have held such positions during the period.

# Directors' Remuneration Report

continued

## Information subject to audit

### Directors' detailed emoluments

The remuneration of the Directors is as follows:

	Salaries and fees £	Car expenses £	Benefits £	Performance related bonus £	Total 2011 £	Total 2010 £
<b>Executive</b>						
J. McNally	250,000	18,631	1,420	—	<b>270,051</b>	351,884
J. Boyle	173,185	17,067	12,820	20,000	<b>223,072</b>	76,568
R. Piggott	—	—	—	—	<b>—</b>	316,431
<b>Non-executive</b>						
R. Handover	50,000	—	—	—	<b>50,000</b>	50,000
P. Redhead	24,000	—	—	—	<b>24,000</b>	24,000
A. Moulds	22,000	—	—	—	<b>22,000</b>	24,000
D. Adams	10,000	—	—	—	<b>10,000</b>	—
A. Palmer-Baunack	14,000	—	—	—	<b>14,000</b>	—
	<b>543,185</b>	<b>35,698</b>	<b>14,240</b>	<b>20,000</b>	<b>613,123</b>	<b>842,883</b>

All executive Directors participate in an annual bonus scheme based on performance in the year. The maximum annual bonus opportunity during the year was 100% of salary. It is expected that the Remuneration Committee will set performance targets for 2012 broadly similar to those for this period.

Benefits in kind relate to medical insurance premiums and rented accommodation.

No Director waived emoluments in respect of the period ended 29 January 2011.

### Gains made by Directors under the long-term incentive scheme

None of the shares previously awarded to Directors under the long-term incentive scheme vested during the period and consequently no gains were realised.

### Long-term incentive scheme

Shares awarded to executive Directors under the long-term incentive scheme are as follows:

	Cycle ending date	Award date	Market price (p)	At 30 January 2010	Shares awarded	Shares lapsed	At 29 January 2011	Value vested £	Vesting date
J. McNally	2011	03/11/08	12.9	833,000	—	—	<b>833,000</b>	—	03/11/11
	2012	18/06/09	56.7	448,000	—	—	<b>448,000</b>	—	18/06/12
	2013	30/07/10	19.0	—	1,319,261	—	<b>1,319,261</b>	—	30/07/13
J. Boyle	2013	30/07/10	19.0	—	817,941	—	<b>817,941</b>	—	30/07/13

### Directors' pension entitlements

Company contributions of £50,000 (2010: £50,000) were paid to a personal pension plan in respect of Mrs J. McNally during the period.

Mr J. Boyle's service contract provides for additional payments to a personal pension plan equal to 18% of annual base salary, or the option to receive the equivalent amount (less the cost of employer's national insurance contributions) as a supplement to base salary. Mr Boyle has chosen the latter option and, therefore, receives an annual amount (paid monthly in arrears) of £24,800, being equivalent to 16% of base salary.

### Peter Redhead

Chairman of the Remuneration Committee  
27 May 2011

# Corporate Governance Statement

This report sets out to describe how the Group has applied the principles of good corporate governance as defined in section 1 of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 ("the Combined Code"). The Code is publicly available at [www.frc.org.uk](http://www.frc.org.uk).

## The Board of Directors

The Group is led and controlled by an experienced Board as set out on page 9. The Board currently comprises the non-executive Chairman, the Chief Executive, the Group Finance Director and three other non-executive Directors.

Mr R. Handover, the non-executive Chairman, and Mr P. Redhead, Mr D. Adams (appointed in September 2010) and Mrs A. Palmer-Baunack (appointed in July 2010), who are all non-executive Directors, have no links with the Group and are considered independent. Mr A. Moulds resigned as non-executive Director on 31 December 2010. Mr P. Redhead is the appointed senior independent Director.

Newly appointed Directors are offered for re-election at the Annual General Meeting following their appointment. Once elected, Directors are offered for re-election at least once every three years in accordance with the Company's Articles of Association.

All Directors have access to the advice and services of the Company Secretary and may take independent professional advice at the Company's expense in the furtherance of their duties. 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 including the approval of interim and full year financial statements and annual budgets. Profit and working capital forecasts and monthly management accounts are also regularly reviewed by the Board.

During the period the Board undertook an evaluation of its performance and the performance of its individual Directors and the separate committees. The evaluation comprised a series of meetings and the completion of several effectiveness evaluation checklists. The conclusions were the subject of a discussion by the Board. The performance of the Chairman was appraised by the non-executive Directors, led by the senior independent Director. This meeting took place without the Chairman being present.

## Relations with shareholders

The executive Directors meet with institutional shareholders twice yearly following publication of the Group's interim and final results, and at other times by arrangement. The Company's stockbroker prepares a feedback document following these meetings to help the Directors gauge their effectiveness.

The non-executive Directors receive analysts' and brokers' briefings and surveys of shareholder opinion to ensure that they are made aware of the views of major shareholders.

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 20 working days before the Annual General Meeting.

The share capital structure of the Company is given in the Director's Report on page 9.

## Accountability and Audit

### Financial reporting

A review of the performance of the Group is contained within the Operating and Financial Review.

### Internal Financial Control

The Group's monitoring of its internal control systems is ongoing. The internal controls in place aim at safeguarding the Group's assets and ensuring its operations are carried out in an 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 financial controls, 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 its top tier, the Board and executive Directors;
- a detailed procedure for regular review and reporting of risks 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;

# Corporate Governance Statement

continued

- 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 monitor the actual performance against the annual budget and highlight significant variances. 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 and for reviewing its effectiveness on an annual basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives.

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.

The internal control regime is enhanced by the use of an internal whistle blowing reporting function which allows employees to report issues and concerns in confidence.

## *Internal audit function*

The Group has an internal audit function which is wholly focused on its retail outlets. Systematic audits are carried out on a regular basis to ensure compliance with the Group's procedures relating to stock management and cash control. Audits are planned such that all standalone stores and concessions staffed by non-Group employees are audited at least twice each year. No head office internal audit function exists.

## *Auditors' independence*

PricewaterhouseCoopers LLP, the Company's auditors, have confirmed in writing to the Company that they are independent of the Group. The Audit Committee reviews fees paid to the auditors for non-audit services and approves planned expenditure in excess of £5,000.

## **Audit Committee**

Mr A. Moulds held the position of Chairman of the Audit Committee until his resignation from the Board on 31 December 2010, at which point his position was taken up by Mr D. Adams. Mr P. Redhead is also a member of the committee. Meetings of the Audit Committee are normally held not less than three times a year.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group, approving formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and internal control and risk management systems;
- monitoring and reviewing the effectiveness the Group's internal audit function;
- making recommendations to the Board, for it to put to shareholders for their approval in general meetings, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

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

The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense.

The Audit Committee reviews arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. No such concerns have been raised in the period.

## **Nominations Committee**

The Nominations Committee is responsible for the process of appointing new Directors to the Board and for their re-election, and for ensuring that they receive a full, formal and tailored induction following their appointment. The Committee is chaired by Mr R. Handover. The other non-executive Directors serving on the committee are Mr P. Redhead and Mr A. Moulds until his resignation on 31 December 2010 and subsequently Mr D. Adams. Meetings of the Nominations Committee are held not less than twice each year.

During the period the Committee oversaw the appointment of two non-executive Directors. The committee engaged the services of a specialist search and recruitment company to compile a shortlist of candidates based on an initial brief. The candidates were subsequently interviewed by the Committee prior to the preferred candidates being recommended to the Board. The Committee also considered the proposed re-election of Directors at the Annual General Meeting.

#### Members' attendance during the 52 weeks to 29 January 2011

The attendances by individual Directors at meetings of the Board and its Committees during the period are given below:

	Board Meetings	Nominations Committee	Remuneration Committee	Audit Committee
Number of meetings held	10	4	3	2
<b>Executive Directors</b>				
J. McNally	10	n/a	n/a	1
J. Boyle	10	n/a	n/a	2
<b>Non-executive Directors</b>				
R. Handover	8	4	n/a	1
P. Redhead	8	4	3	2
A. Moulds	6	3	3	2
A. Palmer-Baunack	3	n/a	n/a	n/a
D. Adams	3	—	—	1

Where Directors are not members of the relevant committees this is indicated by 'n/a'.

All Directors attend Board and Committee meetings unless other commitments prevent them from doing so.

All Directors attend the Annual General Meeting.

#### Terms of reference

The terms of reference of all sub-committees of the Board are available for inspection at the offices of the Company during normal working hours 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.

#### Going concern

The Group and Company's financial statements have been prepared on a going concern basis. Whilst the Directors consider that adequate committed facilities are in place for at least the next year, some of these will expire in July 2012 and potentially earlier on completion of certain property disposals. The Directors are therefore actively seeking longer term financing options to facilitate continued investment in the turnaround programme and a stable capital base for the medium term.

#### Compliance statement

In the opinion of the Directors the Group has complied with the provisions of Section 1 of the Code throughout the accounting period.

# Independent Auditors' Report to the members of Alexon Group plc

We have audited the financial statements of Alexon Group plc for the 52 weeks ended 29 January 2011 which comprise the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 January 2011 and of the Group's profit and Group's and Parent Company's cash flows for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 17 to 19 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 11, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

**Alison Lees**

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27 May 2011

## Consolidated Income Statement

For the 52 weeks to 29 January 2011

		2011		2010			
	Note	Pre- exceptional items £000	Exceptional items (see note 2) £000	Total £000	Pre- exceptional items £000	Exceptional items (see note 2) £000	Total £000
<b>Revenue – continuing operations</b>		<b>135,924</b>	<b>–</b>	<b>135,924</b>	153,382	–	153,382
Cost of sales		(120,330)	(164)	(120,494)	(139,333)	(12,964)	(152,297)
<b>Gross profit/(loss)</b>							
– continuing operations		15,594	(164)	15,430	14,049	(12,964)	1,085
Administrative expenses		(7,390)	(210)	(7,600)	(7,311)	(395)	(7,706)
Distribution costs		(6,949)	(299)	(7,248)	(7,102)	–	(7,102)
<b>Operating profit/(loss)</b>							
– continuing operations	4	1,255	(673)	582	(364)	(13,359)	(13,723)
Finance income	6	34	–	34	96	–	96
Finance expense	6	(530)	–	(530)	(624)	–	(624)
<b>Profit/(loss) before taxation</b>		<b>759</b>	<b>(673)</b>	<b>86</b>	<b>(892)</b>	<b>(13,359)</b>	<b>(14,251)</b>
Income tax (expense)/credit	7	(185)	966	781	67	–	67
<b>Profit/(loss) for the financial period from continuing operations attributable to equity holders of the Company</b>		<b>574</b>	<b>293</b>	<b>867</b>	<b>(825)</b>	<b>(13,359)</b>	<b>(14,184)</b>
(Loss)/profit from discontinued operations	2b	–	(117)	(117)	–	8,382	8,382
<b>Profit/(loss) for the financial period attributable to equity holders of the Company</b>		<b>574</b>	<b>176</b>	<b>750</b>	<b>(825)</b>	<b>(4,977)</b>	<b>(5,802)</b>
<b>Earnings/(losses) per share from continuing operations attributable to equity holders of the Company during the period</b>							
Basic	9			0.66p			(31.74)p
Diluted	9			0.65p			(31.74)p
<b>(Losses)/earnings per share from discontinued operations attributable to equity holders of the Company during the period</b>							
Basic and diluted	9			(0.09)p			18.76p
<b>Earnings/(losses) per share from total operations attributable to equity holders of the Company during the period</b>							
Basic	9			0.57p			(12.98)p
Diluted	9			0.56p			(12.98)p

The notes on pages 30 to 55 form part of these financial statements.

## Consolidated and Company Statement of Comprehensive Income

For the 52 weeks to 29 January 2011

	2011 £000	Group 2010 £000	2011 £000	Company 2010 £000
Profit/(loss) for the financial period	750	(5,802)	(16,682)	(3,040)
<b>Other comprehensive income/(expense):</b>				
Actuarial gain arising in defined benefit pension scheme	887	117	-	-
Loss on cash flow hedges	(673)	(3,635)	-	-
<b>Other comprehensive income/(expense) for the period, net of tax</b>	<b>214</b>	<b>(3,518)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/(expense) for the financial period attributable to equity holders of the Company</b>	<b>964</b>	<b>(9,320)</b>	<b>(16,682)</b>	<b>(3,040)</b>

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income/(expense) is disclosed in note 7.

The notes on pages 30 to 55 form part of these financial statements.

## Consolidated Balance Sheet

As at 29 January 2011

	Note	£000	2011 £000	£000	2010 £000
<b>Non-current assets</b>					
Property, plant and equipment	11	6,171		5,116	
Deferred tax	7	2,230		2,343	
			8,401		7,459
<b>Current assets</b>					
Inventories	13	28,964		27,705	
Trade and other receivables	14	10,843		10,917	
Derivative financial instruments	17	–		452	
Cash and cash equivalents		656		650	
			40,463		39,724
<b>Current liabilities</b>					
Short-term borrowings	15	(4,875)		(9,649)	
Trade and other payables	15	(21,065)		(25,692)	
Current tax payable	15	(35)		(885)	
Derivative financial instruments	17	(461)		–	
			(26,436)		(36,226)
<b>Net current assets</b>			14,027		3,498
<b>Non-current liabilities</b>					
Long-term borrowings	16	(4,500)		–	
Long-term provisions	18	(1,657)		(12,038)	
Accruals and deferred income	16	(90)		(227)	
Pension liabilities	16	(1,773)		(3,404)	
<b>Total non-current liabilities</b>			(8,020)		(15,669)
<b>Net assets/(liabilities)</b>			14,408		(4,712)
<b>Equity attributable to equity holders of the Company</b>					
Share capital	21	18,389		5,689	
Share premium	21	19,902		22,066	
Capital redemption reserve		20,215		20,215	
Cash flow hedge reserve		(337)		336	
Retained deficit		(43,761)		(53,018)	
<b>Total equity/(deficit)</b>			14,408		(4,712)

The notes on pages 30 to 55 form part of these financial statements.

## Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Capital redemption reserve £000	Cash flow hedge reserve £000	Merger reserve £000	Retained earnings £000	Total (deficit)/ equity £000
At 31 January 2009	5,689	22,066	20,215	3,971	–	(47,333)	4,608
Loss for the period	–	–	–	–	–	(5,802)	(5,802)
<i>Other comprehensive income/(expense):</i>							
Actuarial gain arising in defined benefit pension scheme, net of tax	–	–	–	–	–	117	117
Loss on cash flow hedges, net of tax	–	–	–	(3,635)	–	–	(3,635)
Total comprehensive income for the period	–	–	–	(3,635)	–	117	(3,518)
At 30 January 2010	5,689	22,066	20,215	336	–	(53,018)	(4,712)
<b>Profit for the period</b>	–	–	–	–	–	<b>750</b>	<b>750</b>
<i>Other comprehensive income/(expense):</i>							
<b>Actuarial gain arising in defined benefit pension scheme, net of tax</b>	–	–	–	–	–	<b>887</b>	<b>887</b>
<b>Loss on cash flow hedges, net of tax</b>	–	–	–	<b>(673)</b>	–	–	<b>(673)</b>
<b>Total comprehensive income for the period</b>	–	–	–	<b>(673)</b>	–	<b>887</b>	<b>214</b>
<i>Transactions with owners:</i>							
<b>Issue of ordinary shares, net of transaction costs</b>	<b>12,700</b>	<b>(2,164)</b>	–	–	<b>7,620</b>	–	<b>18,156</b>
<b>Transfer of merger reserve to retained earnings</b>	–	–	–	–	<b>(7,620)</b>	<b>7,620</b>	–
At 29 January 2011	<b>18,389</b>	<b>19,902</b>	<b>20,215</b>	<b>(337)</b>	–	<b>(43,761)</b>	<b>14,408</b>

The share premium reserve comprises the premium paid over the nominal value of shares for shares issued.

The premium of £7,620,000 arising on shares issued during the period was initially credited to a merger reserve and subsequently transferred to retained earnings. Costs of £2,164,000 have been charged to the Company's share premium account.

The capital redemption reserve represents the nominal value of own shares purchased and subsequently cancelled by the Company. It is a non-distributable reserve.

The issue of new ordinary shares in the period utilised a cash box structure and therefore qualified for merger relief under Section 612 of the Companies Act (see note 21).

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to highly probable transactions that are forecast to occur after the period end.

During the period an amount of £675,000 (2010: £1,957,000) relating to cash flow hedges was removed from Group equity and included in the income statement.

The notes on pages 30 to 55 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the 52 weeks to 29 January 2011

	Note	2011 £000	2010 £000
<b>Cash flows from operating activities</b>			
Cash used in continuing operations	22	(14,843)	(8,409)
Interest received (continuing operations)		34	96
Interest paid (continuing operations)		(219)	(59)
Tax received (continuing operations)		24	2,310
Tax paid (continuing operations)		(171)	(694)
Cash used in discontinued operations	22	(163)	(6,100)
<b>Net cash used in operating activities</b>		<b>(15,338)</b>	<b>(12,856)</b>
<b>Investing activities</b>			
Income associated with the disposal of a subsidiary undertaking		-	423
Purchase of property, plant and equipment (continuing operations)		(2,548)	(1,808)
Purchase of property, plant and equipment (discontinued operations)		-	(99)
Proceeds from disposals of property, plant and equipment (continuing operations)		10	57
<b>Net cash used in investing activities</b>		<b>(2,538)</b>	<b>(1,427)</b>
<b>Financing activities</b>			
Long-term borrowings		4,500	-
Issue of ordinary shares		20,320	-
Costs arising from the issue of shares		(2,164)	-
<b>Net cash generated from financing activities</b>		<b>22,656</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,780</b>	<b>(14,283)</b>
Cash and cash equivalents at the beginning of the period		(8,999)	5,284
Cash and cash equivalents at the end of the period		(4,219)	(8,999)
Cash and cash equivalents		656	650
Short-term borrowings		(4,875)	(9,649)
		(4,219)	(8,999)

The notes on pages 30 to 55 form part of these financial statements.

# Company Balance Sheet

As at 29 January 2011

	Note	£000	2011 £000	£000	2010 £000
<b>Non-current assets</b>					
Property, plant and equipment	11	2,207		2,261	
Investment in subsidiaries	12	20,000		36,700	
			22,207		38,961
<b>Current assets</b>					
Trade and other receivables	14	16,800		16,032	
Cash and cash equivalents		35		36	
			16,835		16,068
<b>Current liabilities</b>					
Trade and other payables	15	(21,355)		(32,811)	
Current tax payable	15	-		(262)	
Short-term borrowings	15	(352)		(10,595)	
			(21,707)		(43,668)
<b>Net current liabilities</b>			(4,872)		(27,600)
<b>Non-current liabilities</b>					
Long-term borrowings	16		(4,500)		-
<b>Net assets</b>			12,835		11,361
<b>Equity attributable to equity holders of the Company</b>					
Share capital	21	18,389		5,689	
Share premium	21	19,902		22,066	
Capital redemption reserve		20,215		20,215	
Retained deficit		(45,671)		(36,609)	
<b>Total equity</b>			12,835		11,361

The financial statements were approved at a meeting of the directors on 27 May 2011.

**D. Adams**

**J. Boyle** Directors

The notes on pages 30 to 55 form part of these financial statements.

## Company Statement of Changes in Equity

	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total equity £000
At 31 January 2009	5,689	22,066	20,215	–	(33,569)	14,401
Loss for the period	–	–	–	–	(3,040)	(3,040)
At 30 January 2010	5,689	22,066	20,215	–	(36,609)	11,361
<b>Loss for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(16,682)</b>	<b>(16,682)</b>
<b>Transactions with owners:</b>						
<b>Issue of ordinary shares, net of transaction costs</b>	<b>12,700</b>	<b>(2,164)</b>	<b>–</b>	<b>7,620</b>	<b>–</b>	<b>18,156</b>
<b>Transfer of merger reserve to retained earnings</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(7,620)</b>	<b>7,620</b>	<b>–</b>
<b>At 29 January 2011</b>	<b>18,389</b>	<b>19,902</b>	<b>20,215</b>	<b>–</b>	<b>(45,671)</b>	<b>12,835</b>

The share premium reserve comprises the premium paid over the nominal value of shares for shares issued.

The capital redemption reserve represents the nominal value of own shares purchased and subsequently cancelled by the Company. It is a non-distributable reserve.

The premium of £7,620,000 arising on shares issued during the period was initially credited to a merger reserve and subsequently transferred to retained earnings. Costs of £2,164,000 have been charged to the Company's share premium account.

In accordance with section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement. The Company's loss for the period was £16,682,000 (2010: £3,040,000). The Company recognised no other income or expense in either the current or prior period.

The notes on pages 30 to 55 form part of these financial statements.

## Company Statement of Cash Flows

For the 52 weeks to 29 January 2011

	Note	£000	2011 £000	£000	2010 £000
<b>Cash flows from operating activities</b>					
Cash used in operations	22	(12,229)		(209)	
Interest paid		(185)		(29)	
Tax received		-		600	
<b>Net cash (used in)/generated from operating activities</b>			<b>(12,414)</b>		362
<b>Financing activities</b>					
Long-term borrowings		4,500		-	
Issue of ordinary shares		20,320		-	
Costs arising from the issue of shares		(2,164)		-	
<b>Net cash generated from financing activities</b>			<b>22,656</b>		-
<b>Net increase in cash and cash equivalents</b>			<b>10,242</b>		362
Cash and cash equivalents at the beginning of the period			(10,559)		(10,921)
Cash and cash equivalents at the end of the period			(317)		(10,559)
Cash and cash equivalents			35		36
Short-term borrowings			(352)		(10,595)
			<b>(317)</b>		<b>(10,559)</b>

The notes on pages 30 to 55 form part of these financial statements.

## Statement of Accounting Policies

### Basis of preparation

The basis of preparation is described in note 1 to the financial statements on page 35.

### *Standards, amendments and interpretations effective in 2010*

The following new standards and amendments to standards are mandatory for the first time for the Group's accounting periods beginning on or after 1 January 2010:

- IFRS 3 (revised), 'Business Combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28 'Investments in associates' and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations with some significant changes compared with IFRS 3;
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' and IFRIC 9 (Amendment), 'Reassessment of Embedded Derivatives' requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category.

The adoption of these revised standards has had no impact on these financial statements.

### *Standards, amendments and interpretations effective in 2010 but not relevant*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 but they are not relevant to the Group's operations:

- IAS 27 (revised), 'Consolidated and separate financial statements'
- IFRIC 17, 'Distribution of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IAS 1 (amendment), 'Presentation of financial statements', settlement of a liability by the issue of equity
- IAS 36 (amendment), 'Impairment of assets'
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'

### *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

- IFRS 9, 'Financial instruments'. This standard is the first step in the process to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013;
- IAS 24 (revised), 'Related party disclosure' is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party.

The Group will apply these standards in the future, subject to endorsement by the EU where applicable, but they are not expected to have any impact on the Group's financial statements.

### *Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretation to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but are not relevant to the Group's operations:

- IAS 32 (amendment), 'Classification of rights issue'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
- IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement'

### Basis of consolidation

The financial statements consolidate the accounts of Alexon Group plc and its subsidiary undertakings. Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Annual financial statements are prepared for the 52 or 53 weeks to the last Saturday in the month of January. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All companies within the Group have coterminous

accounting periods. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker is responsible for allocating resources and assessing performance of the operating segments. See note 3 for further details.

### Goodwill

Goodwill, being the difference between the fair values of assets acquired and the cost of acquisition, is not amortised but is reviewed annually for impairment, and at other times when there are indications that the carrying value may not be recoverable. Any impairment is then recognised in the income statement in the period in which it is identified. Impairment losses on goodwill are not reversed. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

### Revenue

Group revenue represents goods delivered less returns from, or allowances to, customers. Intra-group transactions and VAT have been excluded. Revenue includes the full value of sales made in concessions. In accordance with International Accounting Standard No. 18, revenue 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.

### Dividends

Dividends are accrued once they have been formally approved.

### Inventory valuation

Inventory 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 incremental costs of disposal.

### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all of the amounts due.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

### Derivative financial instruments

The Group applies hedge accounting rules as they relate to forward foreign exchange contracts which have been designated as cash flow hedges. In order to qualify for hedge accounting the Group is required to document, from inception, the relationship between the hedging instrument and the item being hedged. The Group must be able to demonstrate that the relationship between the hedging instrument and the item being hedged is highly effective on an ongoing basis. The gain or loss arising from the remeasurement of hedging instruments which are effective is recognised directly in equity, and subsequently charged or credited to the income statement in the period in which the hedged transaction affects the income statement. The gain or loss relating to any ineffective part of a cash flow hedge is recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

### Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

## Statement of Accounting Policies

continued

### Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated using the straight-line basis. 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. on buildings only
Short leasehold property	— over term of lease
Vehicles	— 20% to 25% p.a.
Plant and machinery	— 15% to 25% p.a.
Fixtures and fittings	— 15% to 25% p.a.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

### Investments in subsidiaries

Investments are valued at historical cost, less provisions for impairment. Investments in subsidiaries are tested annually for impairment. An impairment loss is recognised when the carrying value exceeds the recoverable amount of the investment. The recoverable amount is the higher of an investment's fair value less costs to sell and value in use.

### Leases

Leases are tested to determine whether the lease is a finance or operating lease and treated accordingly. Property leases comprising a lease of land and a lease of buildings within a single contract are split into its two component parts before testing.

#### (a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other long-term borrowings. The interest element of the finance cost is charged to the income statement over the period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

#### (b) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases, net of lease incentives or premiums, are charged to the income statement on a straight-line basis over the period of the lease.

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation as appropriate.

### Taxation

Current UK corporation tax is provided at amounts expected to be paid, or recovered, using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided using rates of tax that have been enacted, or substantively enacted, at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### Employee benefits

The Group operates a defined benefit pension scheme, a group personal pension plan and a stakeholder pension scheme. The cost of the defined benefit scheme is charged to the income statement so as to spread the cost of pensions over the employees' working lives within the Group. The regular service cost for providing this scheme, together with the cost of any benefits relating to past service, is charged to the income statement. The amounts relating to the plan assets and liabilities are shown on the face of the balance sheet under Pension Assets and Pension Liabilities. The expected return on pension scheme assets and the interest on pension scheme liabilities is included in Finance Income and Finance Expense in the income statement. Differences between the actual and expected returns on assets during the period are recognised in the statement of comprehensive income. Contributions to the group personal pension plan are charged to the income statement in the period in which they arise. The Group does not contribute to the stakeholder scheme.

The cost of accrued but unused holiday entitlement is assessed at each period end and charged to income accordingly.

### Share-based payments

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options and shares is recognised as an expense. The fair value of options is estimated using a Black-Scholes pricing model. The total amount to be expensed over the vesting period is determined by the fair value of the options and shares granted, excluding the impact of any non-market vesting conditions (for example, earnings per share growth). Non-market vesting conditions are included in assumptions about the number of options and shares that are expected to become exercisable. At each balance sheet date the Group revises its estimates of the number of options and shares that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement.

### Impairment

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Impairment of property, plant and equipment is included within cost of sales in the income statement. Impairment of goodwill is included within administrative expenses.

### Exceptional items

Exceptional items are those significant credits or charges which, in the opinion of the Directors, should be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items include charges for impairment, provision for onerous leases and discontinued operations.

### Critical accounting estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates and any subsequent changes are accounted for at the time that the updated information becomes available. Information about such judgements and estimation is contained within the Statements of Accounting Policies and/or the Notes to the Financial Statements. Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are:

## Statement of Accounting Policies

continued

- **Investments in subsidiaries, property, plant and equipment (note 11 and 12)**

Impairment reviews in respect of investments, property, plant and equipment are performed annually. These calculations require the use of estimates of future cash flows of the Group's cash-generating units.

- **Onerous property leases (note 18)**

Provisions are reviewed annually in respect of property lease contracts that are expected to generate net cash outflows over the remaining term of the lease and are provided for using an estimate of future cash flows made on the following basis:

- an estimate of exit costs to be incurred in circumstances where it is thought likely that an exit agreement can be negotiated;
- the discounted value of future cash flows to the end of the lease using a risk free discount rate of 4.1%; and
- the discounted value of annual rental payments to the end of the lease using a risk free discount rate of 4.1%.

- **Inventory (note 13)**

The net realisable value of the Group's inventory is based on an estimation of selling price less associated cost to sell.

- **Pension costs (note 23)**

The present value of the Group's pension obligations depends on a number of actuarial assumptions. The primary assumptions used include the expected long-term rate of return on invested funds, the discount rate applicable to scheme liabilities, the long-term rate of inflation and estimates of the mortality applicable to scheme members.

### Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it has been acquired principally for the purpose of selling it in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and are carried at amortised cost.

Available-for-sale financial assets are carried at fair value and are non-derivatives that are either specifically designated as such or which are not classified in any of the other categories.

### Financial liabilities

Trade and other payables are non-interest bearing and are stated at amortised cost.

### Share capital

Ordinary shares are classified as equity. Costs associated with the issue of shares are included in equity as a deduction from the proceeds.

Ordinary shares held by the Alexon Employee Share Ownership Trust to meet future obligations of the Group's share-based incentive schemes are included in the balance sheet at cost as a deduction from equity.

### Borrowings

Borrowings are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## Notes to the Financial Statements

### 1 Basis of preparation

These financial statements are prepared under the historical cost convention, except as disclosed in the Statement of Accounting Policies, and in accordance with International Financial Reporting Standards and IFRIC interpretations endorsed by the European Union and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS.

On 24 March 2010 the Company raised £20.3 million (£18.2 million net of expenses) by way of a Firm Placing and Open Offer of 101,600,985 new ordinary shares of 12.5p each. Following the share issue the Company also entered into new banking facilities with Barclays Bank plc.

The Group has renegotiated its banking facilities subsequent to its 2011 year end. The amended facilities are set out in Note 16 on page 45.

The Directors have prepared the Group and Company financial statements on a going concern basis. Whilst trading continues to be challenging, the Group has committed facilities which the directors consider to be adequate for its requirements based on their trading projections and mitigating actions which may be required at certain points in the year to manage cash flow. Some of these facilities will expire on 31 July 2012 or require reduction or pay down earlier on the disposal of certain of the Group's properties. The directors are actively exploring the options available to them for a more appropriate medium term capital structure to support continued investment in the turnaround of the business and are confident that the business will be refinanced well ahead of that time.

### 2 Exceptional items

#### 2a Continuing operations

The following exceptional costs were incurred by the Group during the period in relation to continuing operations.

	2011 52 weeks £000	2010 52 weeks £000
Impairment of property, plant and equipment (see note 11)	164	460
Costs relating to onerous lease commitments (see note 18)	–	12,388
Redundancy costs	–	116
Exceptional items within cost of sales	164	12,964
Pension curtailment gain (see note 23)	–	(599)
Restructuring costs	78	–
Fees relating to the restructuring of the Group's finances	132	994
Exceptional items within administrative expenses	210	395
Impairment of property, plant and equipment (see note 11)	178	–
Redundancy costs	121	–
Exceptional items within distribution costs	299	–
Total exceptional items before tax	673	13,359
Income tax credit	(966)	–
<b>Total exceptional items</b>	<b>(293)</b>	13,359

The impairment of property, plant and equipment arises from a comparison of the value-in-use of individual trading outlets with their net book value where circumstances indicate a possible impairment.

Onerous lease provisions are made in respect of those leases which are considered onerous on the basis that the stores to which they relate are expected to generate net cash outflows over the remaining lease term. The provision represents the lowest net unavoidable cost of a lease contract. It is calculated as either:

- estimated exit costs to be incurred where it is thought likely that an exit agreement can be negotiated, or
- the lower of the forecast trading losses of the lease, or lease rental cost for the remainder of the lease term.

The pension curtailment gain arises from the reduction in the present value of the defined benefit scheme's liabilities resulting from the decision to cease future benefit accrual with effect from 31 July 2009.

## Notes to the Financial Statements

continued

### 2 Exceptional items continued

Redundancy costs in the period have been incurred as a result of the amalgamation of the Group's distribution centres into one location. Redundancy costs in 2010 were incurred following the decision to scale down the operations of the Group's manufacturing division.

Costs relating to the restructure of the Group's finances were professional fees incurred in the Group's capital restructuring and negotiation of new banking facilities.

### 2b Discontinued operations

On 27 April 2009 the Group placed Epcoscan Limited, which operated the Bay Trading business, into administration. The (loss)/profit included in discontinued operations in the comparative period is analysed below.

	2011 52 weeks £000	2010 52 weeks £000
<b>Operating loss</b>		
Revenue	–	12,339
Expenses	(163)	(18,202)
Operating loss	(163)	(5,863)
Net finance income	–	2
Loss before taxation	(163)	(5,861)
Tax credit on operating loss	46	–
Loss after taxation	(117)	(5,861)
Net liabilities of subsidiary company disposed	–	12,943
Proceeds of disposal	–	1,300
Profit on disposal	–	14,243
<b>Total (loss)/profit from discontinued operations</b>	<b>(117)</b>	<b>8,382</b>

### 3 Segment information

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer and Finance Director as they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group considers that its operations comprise a single business segment as it meets the aggregation criteria included within IFRS 8 on the basis that the individual clothing brands have similar economic characteristics and are similar in respect of the nature of their products, production processes, type of customer and method of distribution.

### 4 Operating profit/(loss) before taxation

	52 weeks to 29 January 2011		
	Continuing operations £000	Discontinued operations £000	Total £000
<b>The following items have been included in arriving at operating profit/(loss) and the (loss)/profit from discontinued operations</b>			
Depreciation	1,053	–	1,053
Impairment of property, plant and equipment	342	–	342
Loss on disposal of property, plant and equipment	88	–	88
Hire of plant and machinery	56	–	56
Operating lease rentals — land and buildings	6,815	–	6,815
Operating lease rentals — vehicles, plant and equipment	88	–	88

Trading losses incurred in stores which have been designated as onerous leases are initially included in the results for continuing operations before exceptional items in the income statement. The equivalent amount of the trading loss is released from the long-term provision such that the impact on the Group results is neutralised in the period. The initial loss and release from the long-term provision for the 52 weeks ended 29 January 2011 was £4.7 million. Turnover of £15.2 million associated with the loss is included within pre-exceptional results in the income statement.

**4 Operating profit/(loss) before taxation** continued

	52 weeks to 30 January 2010		
	Continuing operations	Discontinued operations	Total
	£000	£000	£000
Depreciation	1,127	212	1,339
Impairment of property, plant and equipment	460	–	460
Loss on disposal of property, plant and equipment	66	–	66
Hire of plant and machinery	74	74	148
Operating lease rentals — land and buildings	9,229	4,006	13,235

**5 Auditor remuneration**

	2011	2010
	£000	£000
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	67	65
Fees payable to the Company's auditor for other services:		
– The audit of the Company's subsidiaries	20	20
– Other services	321	181
	408	266
Fees in respect of the Alexon Group Amalgamated Pension Scheme:		
– Actuarial services	–	38

Other services relate principally to advice received in relation to the restructuring of the Group's finances.

**6 Finance income and expense**

	2011	2010
	£000	£000
<b>Finance income</b>		
Interest income	34	96
	34	96
<b>Finance expense</b>		
Interest payable on bank borrowings	482	196
Interest expense on pension scheme assets	48	428
	530	624

**7 Income tax credit**

		2011	2010
		52 weeks	52 weeks
		£000	£000
The taxation credit for the period comprises:			
<i>Current tax</i>	Continuing operations:		
	– current tax charge on profits for the period	186	228
	– adjustment in respect of previous periods	(889)	–
	Total current tax credit/(charge)	(703)	228
<i>Deferred tax</i>	Continuing operations		
	– origination and reversal of temporary differences	(48)	(18)
	– adjustment in respect of previous periods	(30)	(277)
	Discontinued operations	(46)	–
	Total deferred tax credit	(124)	(295)
<i>Total taxation</i>	Continuing operations	(781)	(67)
	Discontinued operations	(46)	–
		(827)	(67)

## Notes to the Financial Statements

continued

### 7 Income tax credit continued

	<b>2011</b> <b>52 weeks</b> <b>£000</b>	2010 52 weeks £000
Tax on items (charged)/credited to equity:		
Deferred tax credit on hedging instruments	<b>255</b>	1,414
Deferred tax charge on pensions	<b>(492)</b>	(45)
	<b>(237)</b>	1,369

The tax for the period is lower (2010: higher) than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	<b>2011</b> <b>52 weeks</b> <b>£000</b>	2010 52 weeks £000
Profit/(loss) on ordinary activities before taxation	<b>86</b>	(14,251)
Profit/(loss) on ordinary activities multiplied by the standard rate of UK corporation tax of 28%	<b>24</b>	(3,990)
Effects of:		
Expenses not deductible for tax purposes:		
non-qualifying depreciation	<b>64</b>	65
other disallowables	<b>363</b>	1,297
unrelieved foreign tax	<b>186</b>	228
unrelieved trading losses arising in the period	<b>142</b>	2,610
utilisation of tax losses brought forward	<b>(641)</b>	–
Adjustments in respect of previous periods	<b>(919)</b>	(277)
Total tax credit from continuing operations for the period	<b>(781)</b>	(67)

#### Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 27% (2010: 28%).

The movement on the deferred tax asset is shown below:

	<b>2011</b> <b>£000</b>	2010 £000
At the beginning of the period	<b>2,343</b>	679
Income statement credit	<b>124</b>	295
Tax on items taken to equity:		
Hedging instruments	<b>255</b>	1,414
Pensions	<b>(492)</b>	(45)
At the end of the period	<b>2,230</b>	2,343

The Company has no deferred tax asset at 29 January 2011 (2010: nil).

Deferred tax assets have been recognised in respect of those temporary differences which are expected to reverse in the short term.

#### Factors that may affect future charges

	<b>As at</b> <b>29 January</b> <b>2011</b> <b>£000</b>	Group As at 30 January 2010 £000	<b>As at</b> <b>29 January</b> <b>2011</b> <b>£000</b>	Company As at 30 January 2010 £000
Deferred tax assets not recognised represents:				
Unrelieved trading losses	<b>1,997</b>	2,610	<b>314</b>	359
Unrelieved foreign tax	<b>398</b>	495	–	–
Capital losses less rolled over gains	<b>2,254</b>	2,338	<b>2,254</b>	2,338
	<b>4,649</b>	5,443	<b>2,568</b>	2,697

## 7 Income tax credit continued

Deferred tax assets have not been recognised in relation to capital losses less rolled over gains, foreign tax paid in the period, unutilised trading losses and other temporary differences where it is not certain that future taxable profits will arise against which these losses can be offset.

There is no expiry date for the use of these losses. They may be carried forward indefinitely, provided the companies in question carry on the same trade.

The movements in deferred tax assets during the period are shown below:

### Deferred tax assets

	Accelerated tax depreciation £000	Pensions £000	Lease incentives £000	Other short-term timing differences £000	Total £000
At 30 January 2010	1,137	1,084	104	18	2,343
Prior year adjustment	26	–	–	(4)	22
Credited/(charged) to the income statement	240	(113)	77	(102)	102
(Charged)/credited to equity	–	(492)	–	255	(237)
<b>At 29 January 2011</b>	<b>1,403</b>	<b>479</b>	<b>181</b>	<b>167</b>	<b>2,230</b>
				<b>2011</b>	2010
				<b>£000</b>	£000
Deferred tax asset to be recovered after more than 12 months				<b>2,047</b>	2,171
Deferred tax asset to be recovered within 12 months				<b>183</b>	172
				<b>2,230</b>	2,343

Deferred income tax (charged)/credited to equity during the period is as follows:

	<b>2011</b>	2010
	<b>£000</b>	£000
Pensions	<b>(492)</b>	(45)
Hedging instruments	<b>255</b>	1,414
	<b>(237)</b>	1,369

On 27 July 2010 it was announced that the corporation tax rate would be reduced from 28% to 27% with effect from 1 April 2011. Consequently, all deferred tax calculations have been affected using the revised rate.

## 8 Dividends

No dividend has been declared for the 52 weeks ended 29 January 2011 (2010: nil).

## 9 Earnings per share

### Continuing operations

The calculation of basic earnings per ordinary share is based on earnings from continuing operations of £867,000 (2010: losses of £14,184,000) and on 132,052,362 ordinary shares (2010: 44,686,680) being the weighted average number of ordinary shares in issue.

In calculating diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume the exercise of warrants to subscribe for ordinary shares which were granted as part of the Capital Raising in March 2010.

## Notes to the Financial Statements

continued

### 9 Earnings per share continued

	2011			2010		
	Earnings (£)	Weighted average number of shares	Per share pence	Losses (£)	Weighted average number of shares	Per share pence
Basic earnings/(losses)	867,000	132,052,362	0.66	(14,184,000)	44,686,680	(31.74)
Effect of dilutive securities:						
Warrants	–	1,477,654	(0.01)	–	–	–
Diluted earnings/(losses)	867,000	133,530,016	0.65	(14,184,000)	44,686,680	(31.74)

#### Discontinued operations

The calculation of basic losses per ordinary share is based on losses from discontinued operations of £117,000 (2010: earnings of £8,382,000) and on 132,052,362 ordinary shares (2010: 44,686,680) being the weighted average number of ordinary shares in issue.

	2011			2010		
	Losses (£)	Weighted average number of shares	Per share pence	Earnings (£)	Weighted average number of shares	Per share pence
Basic (losses)/earnings	(117,000)	132,052,362	(0.09)	8,382,000	44,686,680	18.76

#### Total operations

The calculation of basic earnings per ordinary share is based on earnings from total operations of £750,000 (2010: losses of £5,802,000) and on 132,052,362 ordinary shares (2010: 44,686,680) being the weighted average number of ordinary shares in issue.

In calculating diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume the exercise of warrants to subscribe for ordinary shares which were granted as part of the Capital Raising in March 2010.

	2011			2010		
	Earnings (£)	Weighted average number of shares	Per share pence	Losses (£)	Weighted average number of shares	Per share pence
Basic earnings/(losses)	750,000	132,052,362	0.57	(5,802,000)	44,686,680	(12.98)
Effect of dilutive securities:						
Warrants	–	1,477,654	(0.01)	–	–	–
Diluted earnings/(losses)	750,000	133,530,016	0.56	(5,802,000)	44,686,680	(12.98)

### 10 Employees

	2011 Number	2010 Number
<b>The total average monthly number of employees including part-time staff during the period for continuing operations was as follows:</b>		
Production	133	142
Retail and distribution	3,086	3,426
Administration	103	86
	<b>3,322</b>	<b>3,654</b>
<b>Staff costs during the period for continuing operations amounted to:</b>		
	<b>£000</b>	<b>£000</b>
Wages and salaries	31,789	33,314
Social security costs	2,333	2,382
Pension costs – defined benefit plans	–	168
– defined contribution plans	294	237
	<b>34,416</b>	<b>36,101</b>

**10 Employees** *continued*

Pension costs comprise contributions made to group and individual personal pension plans of £244,000 (2010: £187,000), and contributions to a personal pension plan in respect of Mrs J. McNally of £50,000 (2010: £50,000).

Staff costs, including pension costs, incurred by the Company amounted to £613,000 (2010: £589,000).

**Key management compensation**

	<b>2011</b> <b>52 weeks</b> <b>£000</b>	2010 52 weeks £000
Salaries and short-term employee benefits	1,712	1,829
Post-employment benefits	117	201
Termination payments	–	149
	<b>1,829</b>	<b>2,179</b>

Key management includes executive and non-executive directors, together with the members of the executive committee.

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 14 to 16.

**11 Property, plant and equipment**

<b>Group</b>	Land and buildings £000	Short leasehold property £000	Vehicles, plant and machinery £000	Fixtures and fittings £000	Total £000
<b>Cost</b>					
At 31 January 2009	4,314	2,585	6,211	11,412	24,522
Additions during the period	–	52	152	1,703	1,907
Disposals during the period	–	(226)	(174)	(933)	(1,333)
Disposal of subsidiary during the period	–	(755)	(2,248)	(6,315)	(9,318)
Other	–	2,617	180	14,388	17,185
At 30 January 2010	<b>4,314</b>	<b>4,273</b>	<b>4,121</b>	<b>20,255</b>	<b>32,963</b>
Additions during the period	–	42	468	2,038	2,548
Disposals during the period	–	(120)	(35)	(1,529)	(1,684)
<b>At 29 January 2011</b>	<b>4,314</b>	<b>4,195</b>	<b>4,554</b>	<b>20,764</b>	<b>33,827</b>
<b>Accumulated depreciation and impairment</b>					
At 31 January 2009	1,747	2,418	5,407	8,652	18,224
Charge for the period	94	8	224	1,013	1,339
Disposals during the period	–	(226)	(113)	(871)	(1,210)
Disposal of subsidiary during the period	–	(676)	(2,092)	(5,383)	(8,151)
Other	–	2,617	180	14,388	17,185
Impairment (see note 2a)	–	–	–	460	460
At 30 January 2010	<b>1,841</b>	<b>4,141</b>	<b>3,606</b>	<b>18,259</b>	<b>27,847</b>
Charge for the period	94	8	196	755	1,053
Disposals during the period	–	(119)	(24)	(1,443)	(1,586)
Impairment (see note 2a)	172	23	–	147	342
<b>At 29 January 2011</b>	<b>2,107</b>	<b>4,053</b>	<b>3,778</b>	<b>17,718</b>	<b>27,656</b>
<b>Net book amount</b>					
<b>At 29 January 2011</b>	<b>2,207</b>	<b>142</b>	<b>776</b>	<b>3,046</b>	<b>6,171</b>
At 30 January 2010	2,473	132	515	1,996	5,116

## Notes to the Financial Statements

continued

### 11 Property, plant and equipment continued

Property, plant and equipment is tested when circumstances indicate a possible impairment. An impairment loss is recognised when the carrying value of assets for a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. Value in use has been determined using cash flow projections based on financial budgets covering a three year period which has been approved by the Board. Cash flow projections are discounted using a rate of 13.8% (2010: 13.7%) which is derived from the Group's post tax weighted average cost of capital.

The impairment charge is in respect of part of the carrying value of the Milton Keynes distribution centre which is considered to be in excess of potential disposal proceeds and stores which are loss making after the allocation of an appropriate amount of central overheads. Should future results from the stores significantly exceed management's expectations it is possible that a proportion of the impairment charged may need to be reversed.

'Other' movements in the above table reflect the correction of gross cost and depreciation amounts which have previously been understated following the disposals of Dolcis and Style Menswear in previous years.

Company	Land and buildings £000
<b>Cost</b>	
At 31 January 2009, 30 January 2010 and 29 January 2011	<b>3,050</b>
<b>Accumulated depreciation</b>	
At 31 January 2009	735
Charge for the period	54
At 30 January 2010	789
Charge for the period	54
<b>At 29 January 2011</b>	<b>843</b>
<b>Net book amount</b>	
<b>At 29 January 2011</b>	<b>2,207</b>
At 30 January 2010	2,261

### 12 Investment in subsidiaries

	At 29 January 2011 £000	Company At 30 January 2010 £000
Shares in group undertakings:		
At the beginning of the period	36,700	36,700
Adjustments for impairment	(16,700)	–
At the end of the period	20,000	36,700
At cost	207,235	207,235
Accumulated impairment	(187,235)	(170,535)
	<b>20,000</b>	36,700

Investments in subsidiaries are tested annually for impairment. An impairment loss is recognised when the carrying value exceeds the recoverable amount of the investment. The recoverable amount is the higher of an investment's fair value less costs to sell and value in use. Value in use has been determined using cash flow projections based on financial budgets approved by the Board for the next financial year and realistic growth rates for subsequent years. Cash flow projections are discounted using a rate of 13.8% (2010: 13.7%).

The value in use calculation is highly sensitive to the assumed results of subsidiaries over the next two years. If results are significantly better than management expect a reversal of the impairment charge may be necessary.

A list of principal subsidiary undertakings is shown in note 25.

### 13 Inventories

	<b>At</b> <b>29 January</b> <b>2011</b> <b>£000</b>	Group At 30 January 2010 £000
Work in progress	1,028	951
Finished goods	27,936	26,754
	<b>28,964</b>	<b>27,705</b>

The Group periodically assesses the recoverable amount of finished goods inventories in respect of product in excess of a year old. Following this assessment the carrying value of inventory with an initial cost of £2,561,000 (2010: £1,293,000) has been reduced by £845,000 (2010: £899,000) and is therefore carried at £1,716,000 (2010: £394,000) being fair value less costs to sell.

The Group reversed an amount of £53,000 in the period (2010: £228,000) relating to a previous inventory write-down following the re-assessment of residual stock levels and their realisable value. The amount reversed has been included within cost of sales in the income statement.

There were no inventories held by the Company as at 29 January 2011 (2010: nil).

The cost of inventories recognised as an expense and included in cost of sales amounted to £56,596,000 (2010: £65,202,000).

### 14 Trade and other receivables

	<b>At</b> <b>29 January</b> <b>2011</b> <b>£000</b>	Group At 30 January 2010 £000	<b>At</b> <b>29 January</b> <b>2011</b> <b>£000</b>	Company At 30 January 2010 £000
Amounts falling due within one year:				
Trade receivables	8,241	9,059	–	–
Other debtors	205	209	200	200
Prepayments and accrued income	2,397	1,649	603	60
Other taxation and social security recoverable	–	–	–	11
Amounts owed by subsidiary companies	–	–	15,997	15,761
	<b>10,843</b>	<b>10,917</b>	<b>16,800</b>	<b>16,032</b>

Trade receivables comprise amounts owed by host department stores in which the Group operates concession outlets. Impairment provisions in respect of amounts owed are only made in circumstances where specific events give rise to uncertainty regarding the host store's ability to pay amounts due.

Included within trade receivables are balances denominated in Euros of £1,207,000. The remaining balances are denominated in sterling.

At 29 January 2011 trade receivables of £7,991,000 (2010: £8,620,000) were fully performing and amounts overdue but not impaired totalled £250,000 (2010: £439,000). No amounts at 29 January 2011 had been impaired (2010: nil).

All amounts owed by subsidiary companies are interest bearing, unsecured and repayable on demand. Interest rates are linked to variable bank base rates. These balances were fully performing and denominated in sterling.

## Notes to the Financial Statements

continued

### 14 Trade and other receivables continued

The ageing of amounts overdue but not impaired are shown below.

	At 29 January 2011 £000	Group At 30 January 2010 £000
Overdue but not impaired — less than three months	250	439

None of the financial assets of the Company are past due or impaired.

### 15 Trade and other payables

	At 29 January 2011 £000	Group At 30 January 2010 £000	At 29 January 2011 £000	Company At 30 January 2010 £000
Trade payables	7,928	6,686	—	—
Other payables	2,292	422	38	39
Other taxation and social security payable	2,313	2,537	—	—
Accruals and deferred income	5,145	9,371	421	1,005
Short-term provisions (note 18)	3,387	6,676	—	—
Amounts owed to subsidiary companies	—	—	20,896	31,767
	21,065	25,692	21,355	32,811
Current tax payable	35	885	—	262
Total payables	21,100	26,577	21,355	33,073
<b>Short-term borrowings</b>				
Bank overdrafts	4,875	9,649	352	10,595
	4,875	9,649	352	10,595

All payables are unsecured. See note 16 for further details of the Group's future borrowing arrangements.

All amounts owed by subsidiary companies are interest bearing, unsecured and repayable on demand. Interest rates are charged at 1% above the Bank of England base rate.

### 16 Non-current liabilities

	At 29 January 2011 £000	Group At 30 January 2010 £000	At 29 January 2011 £000	Company At 30 January 2010 £000
Long-term provisions (see note 18)	1,657	12,038	—	—
Long-term borrowings	4,500	—	4,500	—
Accruals and deferred income	90	227	—	—
Pension liabilities (see note 23)	1,773	3,404	—	—
	8,020	15,669	4,500	—

On 24 March 2010 the Company raised £20.3 million (£18.2 million net of expenses) by way of a Firm Placing and Open Offer of 101,600,985 new ordinary shares of 12.5p each. Following the share issue the Company also entered into new banking facilities with Barclays Bank plc which provided a committed facility expiring in March 2013. On 27 January the Company announced that it had resolved a potential technical infringement of an EBITDAR covenant at 29 January 2011 and that it had agreed with Barclays to reset the test at that date.

## 16 Non-current liabilities continued

Subsequent to the year end the Company signed amended banking facilities with Barclays which are structured in three tranches:

- Facility A – a term loan of £4.5 million amortising through payments of £1.5 million beginning in July 2011 (with the final repayment in July 2012) subject to earlier pay down on realisation of property disposals;
- Facility B – a Revolving Credit Facility of £8 million plus a £1.5 million bonds, guarantees and indemnities facility extending to March 2013 subject to earlier pay down on realisation of property disposals; and
- Facility C – a short-term facility of £2.5 million, rising to £4 million in July 2011 and a further £2 million draw down facility subject to realisation of the Group's warehouse property disposals, but collectively repayable on 31 July 2012.

The July 2011 payment has effectively been deferred by increasing Facility C by £1.5 million at that point.

Quarterly covenants have been reset.

Upon realisation of certain of the Group's property interests the proceeds must immediately be applied to pay down or reduce Facility A and then Facility B. Additional amounts are then available under Facility C of up to £2 million depending on the level of proceeds received.

## 17 Financial instruments

Effective 1 February 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments that are measurable at fair value.

	<b>Level 2</b>			
	<b>At 29 January 2011</b>		At 30 January 2010	
	<b>Assets</b>	<b>Liabilities</b>	Assets	Liabilities
	<b>£000</b>	<b>£000</b>	£000	£000
Forward foreign exchange contracts — cash flow hedge	–	<b>461</b>	452	–

These financial instruments have been categorised as derivatives used for hedging.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The forward foreign exchange contracts all mature within the next 12 months. A 5% change in the value of sterling compared to the US dollar would result in a gain or loss of approximately £0.6 million in the income statement for the 52 weeks ending 29 January 2011.

## Notes to the Financial Statements

continued

### 17 Financial instruments continued

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

In accordance with IAS39 — Financial Instruments: Recognition and Measurement — the Group has reviewed all contracts to ascertain whether any embedded derivatives are required to be separately disclosed. Following this review the Group is satisfied that there are no embedded derivatives requiring separate disclosure.

The Group uses forward contracts to hedge against fluctuating exchange rates in relation to purchases made in foreign currencies.

The principal notional value of forward foreign exchange contracts outstanding as at 29 January 2011 is £12,006,144 (2010: £12,031,879).

Gains and losses recognised in the cash flow hedge reserve in equity as at 29 January 2011 will be released to the income statement over the following five months.

There were no ineffective cash flow hedges during the period. In the prior period an amount of £46,862 was charged to the income statement arising from ineffective cash flow hedges.

As at 29 January 2011 the Group was party to six leases agreements in relation to which the annual lease rental charge was calculated as a percentage of the turnover generated by the leased property.

A small number of lease agreements allow for 'top up' rental charges based on a percentage of turnover, over and above a base minimum annual rent. No 'top up' rental charges were incurred in the period under review.

#### 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 and financial liabilities.

	At 29 January 2011		At 30 January 2010	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Primary financial instruments held or issued to finance the Group's operations:				
Trade and other payables	(21,065)	(21,065)	(25,692)	(25,692)
Trade and other receivables	10,843	10,843	10,917	10,917
Cash and cash equivalents, short-term and long-term borrowings	(8,719)	(8,719)	(8,999)	(8,999)
Long-term provisions	(1,657)	(1,657)	(12,038)	(12,038)

The fair value of short-term borrowings, trade and other payables, trade and other receivables, bank balances and other liquid funds are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The book value of long-term provisions is calculated as the present value of the estimated future cash outflows and is considered to approximate fair value.

#### Maturity of long-term provisions

The maturity profile of the Group's provisions is:

	At 29 January 2011 £000	At 30 January 2010 £000
In less than one year	–	7,714
In more than one year but not more than two years	687	1,862
In more than two years but not more than five years	883	2,047
In more than five years	87	415
	<b>1,657</b>	<b>12,038</b>

**17 Financial instruments** continued

The maturity profile of the Group's provisions on an undiscounted basis is:

	<b>At 29 January 2011 £000</b>	At 30 January 2010 £000
In less than one year	–	7,783
In more than one year but not more than two years	745	1,968
In more than two years but not more than five years	1,029	2,293
In more than five years	111	500
	<b>1,885</b>	12,544

The maturity analysis of the long-term provisions presented in the above table represents the Group's best estimate of the likely timing of payments resulting from the onerous leases to which the Group is a party. This provision does not represent the contractual payments which are due in respect of these leases. The contractual payments due in respect of all of the leases operated by the Group at the balance sheet date are shown in note 20.

All other financial liabilities are short-term in nature, the majority being settled within three months of the balance sheet date, and so no separate analysis has been provided.

Effective interest rates at the balance sheet date were as follows:

	<b>At 29 January 2011</b>			At 30 January 2010		
	<b>Sterling</b>	<b>US dollars</b>	<b>Euros</b>	Sterling	US dollars	Euros
Bank overdrafts	<b>4.00%</b>	<b>3.75%</b>	<b>4.50%</b>	4.00%	3.75%	4.50%

The carrying amount of the Group's bank overdraft is denominated in the following currencies:

	<b>At 29 January 2011 £000</b>	At 30 January 2010 £000
Sterling	<b>3,854</b>	10,354
US dollars	<b>1,826</b>	(514)
Yen	<b>87</b>	245
Euros	<b>(892)</b>	(436)
	<b>4,875</b>	9,649

**Financial risk management**

The Group's activities expose it to a variety of financial risks including interest rate risk, foreign currency exposure, liquidity risk and credit risk.

Interest rates charged on loans and overdrafts under the new bank facilities agreed in March 2010 are linked to LIBOR and variable bank base rates. The Group will consider the use of derivatives to fix interest rates in the future if circumstances indicate this to be advantageous.

## Notes to the Financial Statements

continued

### 17 Financial instruments continued

Forward foreign exchange 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 Group has minimal investments in foreign operations whose net assets are exposed to foreign currency translation risk. A small proportion of trade receivables are denominated in euros. As at 29 January 2011 a 5% change in the value of sterling compared to the euro would not have had a material effect on the Group's income for the 52 weeks then ended. Payables denominated in US dollars are hedged six to nine months in advance of when payment is due and therefore the Group's exposure to foreign currency translation risk in the short term is minimal. A movement of 5% in the value of sterling compared to the US dollar, excluding the impact of hedging, would change the annual cost of purchases made in US dollars by approximately £0.9 million.

The Group's liquidity or finance risk relates to its ability to fund its day to day operations which it does by a combination of equity capital and bank funding. The Group's banking facilities are regularly reviewed to ensure that they are adequate.

The Group's credit risk centres on its relationship with host department stores through which it trades as concessions and also with banks with which deposits and derivatives are placed. Payments due from host department stores are subject to contractual terms and are closely monitored to ensure that they do not become overdue and subject to possible default. The Group has a small number of significant customer accounts, so whilst the Group operates in numerous concession outlets, amounts owed by individual stores are generally not substantial and do not represent a material risk. In the case of a very few host stores, significant debts may be outstanding at particular times of the year. These debts are monitored closely to minimise the potential risk of non-payment. Sales made to customers in the Group's own high street stores are either in cash or by major credit cards.

The Group endeavours to place deposits and derivatives with banks which have a minimum credit rating of AA (Standard & Poor's rating). Banks used by the Group have, however, had their credit ratings reduced since the beginning of the global credit crisis and derivatives outstanding at the balance sheet date are placed with a bank whose credit rating, at the date of this report, is AA-

#### Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to shareholders, and benefits for other stakeholders, and to maintain an optimal capital structure in order to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's total capital is calculated as the sum of net debt and equity. Net debt is calculated as total borrowings less cash and cash equivalents.

### 18 Long-term provisions Property provisions

	Group £000
At 30 January 2010	12,038
Credited to the income statement to offset trading losses incurred	(2,157)
Utilised	(4,837)
<b>At 29 January 2011</b>	<b>5,044</b>
Reclassified as current liabilities (note 15)	(3,387)
	<b>1,657</b>

**18 Long-term provisions** *continued*

Property provisions are in respect of lease contracts which are considered onerous on the basis that the stores to which they relate are expected to generate net cash outflows over their remaining lease terms. An assessment of future cash outflows are made on the following basis:

- i) an estimate of exit costs to be incurred in circumstances where it is thought likely that an exit agreement can be negotiated;
- ii) the discounted value of future cash flows to the end of the lease using a risk free discount rate of 4.1%; and
- iii) the discounted value of annual rental payments to the end of the lease using a risk free discount rate of 4.1%.

The amount of the provision is calculated as the lowest of the three bases.

In determining the appropriate amount of these provisions, the directors have estimated the future cash flows expected from each relevant leased outlet. They have also made assumptions about the ability of the Group to sub-let or surrender leases, and the potential payments to be made to exit the lease. The provisions are highly sensitive to these assumptions.

The provisions are mostly expected to be utilised over the next five years.

**19 Capital commitments**

	<b>At</b> <b>29 January</b> <b>2011</b> <b>£000</b>	At 30 January 2010 £000
<b>Group</b>		
Authorised and contracted — property, plant and equipment	<b>101</b>	16

**Company**

The Company had no capital commitments at 29 January 2011 (2010: £nil).

**20 Lease commitments**

	<b>Land and buildings</b>	
	<b>At</b> <b>29 January</b> <b>2011</b> <b>£000</b>	At 30 January 2010 £000
<b>Group</b>		
<b>Future minimum rentals payable under non-cancellable operating leases are as follows:</b>		
Within one year	<b>5,939</b>	11,723
From the second to fifth year inclusive	<b>15,065</b>	35,356
Over five years	<b>12,478</b>	18,324
	<b>33,482</b>	65,403

The commitment figures above include an estimate of the future rent payable for those leases whose rent is calculated as a percentage of the actual level of turnover achieved.

**Company**

The Company had no financial commitments at 29 January 2011 (2010: £nil).

## Notes to the Financial Statements

continued

### 21 Share capital

	Ordinary 12.5p shares		Share	Merger
	Number of shares	£000	premium £000	reserve £000
Balance at 31 January 2009 and 31 January 2010	45,511,768	5,689	22,066	–
<b>Issued in financing</b>	<b>101,600,985</b>	<b>12,700</b>	<b>(2,164)</b>	<b>7,620</b>
<b>Transfer of merger reserve to retained earnings</b>	–	–	–	<b>(7,620)</b>
<b>Balance at 29 January 2011</b>	<b>147,112,753</b>	<b>18,389</b>	<b>19,902</b>	–

From 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital. Shareholders wishing to restrict the number of shares that can be issued by a company need to address this issue in the company's articles.

The Company issued an additional 101,600,985 ordinary shares of 12.5p each on 24 March 2010 following a firm placing and open offer of new ordinary shares for a cash consideration of £20.3 million (£18.2 million net of expenses). The issue utilised a cash box structure and therefore qualified for merger relief under Section 612 of the Companies Act 2006. The premium of £7,620,000 arising on the share issue was initially credited to a merger reserve and subsequently transferred to retained earnings. Costs of £2,164,000 associated with the firm placing and open offer have been charged to the Company's share premium account.

825,088 ordinary shares of 12.5p each (2010: 825,088) in the Company are held by the Alexon Employee Share Ownership Trust.

#### Long-term incentive scheme

Details of the scheme and the vesting conditions attaching to the awards are contained within the Directors' Remuneration Report on page 15.

Details of the movement in the number of shares for each scheme are given below, together with the weighted average exercise price and the weighted average market price at the dates of exercise.

	Outstanding at 30 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 29 January 2011	Exercisable at 29 January 2011
<b>Performance-related options</b>						
Number of shares	34,000	–	–	(34,000)	–	–
Weighted average exercise price (pence)	178.5	–	–	178.5	–	–
<b>Long-term incentive scheme</b>						
Number of shares	2,855,000	4,503,689	–	(728,089)	<b>6,630,600</b>	–
Weighted average market price at date of grant (pence)	38.0	19.0	–	39.7	<b>24.9</b>	–

**21 Share capital** continued

	Outstanding at 31 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 January 2010	Exercisable at 30 January 2010
<b>Performance-related options</b>						
Number of shares	60,400	–	–	(26,400)	34,000	–
Weighted average exercise price (pence)	230.5	–	–	297.6	178.5	–
<b>Long-term incentive scheme</b>						
Number of shares	3,245,000	1,293,000	–	(1,683,000)	2,855,000	–
Weighted average market price at date of grant (pence)	80.4	56.7	–	134.1	38.0	–

The share options outstanding at the end of the period have the following range of exercise prices and expiry dates:

	<b>At 29 January 2011</b>			<b>At 30 January 2010</b>		
	<b>Number of shares</b>	<b>Option price</b>	<b>Weighted average contractual life</b>	<b>Number of shares</b>	<b>Option price</b>	<b>Weighted average contractual life</b>
Performance-related options	–	–	–	34,000	178.5p	2.6 years

**22 Notes to the statement of cash flows**

	<b>2011</b>	<b>Group</b>	<b>2011</b>	<b>Company</b>
	<b>£000</b>	<b>2010</b>	<b>£000</b>	<b>2010</b>
		<b>£000</b>		<b>£000</b>
<b>Cash used in continuing operations</b>				
Operating profit/(loss) — continuing operations	<b>582</b>	(13,723)	<b>(16,524)</b>	(2,750)
<b>Adjustments for:</b>				
Depreciation	<b>1,053</b>	1,127	<b>54</b>	54
Impairment of property, plant and equipment	<b>342</b>	460	–	–
Impairment of investment	–	–	<b>16,700</b>	–
Loss on disposal of property, plant and equipment	<b>88</b>	66	–	–
Net adjustment in respect of retirement benefit obligations	<b>(300)</b>	(999)	–	–
<b>Changes in working capital:</b>				
Decrease/(increase) in trade and other receivables	<b>74</b>	2,478	<b>(532)</b>	(230)
Increase in inventories	<b>(1,259)</b>	(788)	–	–
(Decrease)/increase in trade and other payables	<b>(4,905)</b>	3,923	<b>(11,927)</b>	2,717
Decrease in long-term provisions, accruals and deferred income	<b>(10,518)</b>	(953)	–	–
<b>Cash used in continuing operations</b>	<b>(14,843)</b>	(8,409)	<b>(12,229)</b>	(209)

## Notes to the Financial Statements

continued

### 22 Notes to the statement of cash flows continued

	<b>2011</b>	Group
	<b>£000</b>	2010
		£000
<b>Cash used in discontinued operations</b>		
Operating loss — discontinuing operations	<b>(163)</b>	(5,863)
<b>Adjustments for:</b>		
Depreciation	—	212
<b>Changes in working capital:</b>		
Decrease in trade and other receivables	—	1,546
Increase in inventories	—	(1,490)
Decrease in trade and other payables	—	(507)
Cash used in discontinued operations	<b>(163)</b>	(6,102)
Interest paid	—	(1)
Interest received	—	3
Cash flows from operating activities — discontinued operations	<b>(163)</b>	(6,100)

### 23 Pension commitments

Companies within the Group participate in the Alexon Group Amalgamated Pension Scheme (“the Scheme”) which provides pension benefits under the defined benefit method. The Scheme was closed to new entrants in 2001 and to future accrual from 31 July 2009.

The Group also operates a group personal pension plan. Contributions are based on individual member’s salaries and range from 3% to 10%. Contributions to the plan during the period amounted to £244,000 (2010: £187,000).

Additional contributions of £50,000 (2010: £50,000) were paid to a private pension plan in respect of Mrs J. McNally.

Information required by IAS19 ‘Employee Benefits’, in relation to the defined benefit pension scheme is provided annually using an actuarial estimate performed by an independent qualified actuary.

All actuarial gains and losses calculated are recognised in the Statement of Comprehensive Income in the period in which they arise.

The major assumptions used in producing the actuarial estimate were:

	<b>At</b>	At
	<b>29 January</b>	30 January
	<b>2011</b>	2010
Rate of increase in pensions in payment	<b>3.25%</b>	3.25%
Rate of increase in deferred pension revaluation	<b>2.90%</b>	3.40%
Discount rate	<b>5.60%</b>	5.70%
Inflation assumption	<b>3.40%</b>	3.40%
Expected return on scheme assets	<b>7.50%</b>	6.60%

Assumptions regarding future mortality rates are set based on advice from the Scheme actuary, published statistics and experience in the industry. Mortality rate assumptions at 29 January 2011 have been based on the Self Administered Pension Schemes mortality tables with Medium Cohort improvements.

**23 Pension commitments** continued

The average life expectancy in years of a pensioner retiring at age 65 at the balance sheet date is:

	<b>2011</b>	2010
Male	<b>20.7</b>	20.6
Female	<b>23.2</b>	23.1

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date is:

	<b>2011</b>	2010
Male	<b>21.9</b>	21.8
Female	<b>24.2</b>	24.1

The amounts recognised in the balance sheet are determined as follows:

	<b>At 29 January 2011 £000</b>	At 30 January 2010 £000
Present value of scheme liabilities	<b>(31,013)</b>	(31,818)
Fair value of scheme assets	<b>29,240</b>	28,414
Deficit	<b>(1,773)</b>	(3,404)

The asset allocation of the Scheme and the expected rates of return were:

	<b>Market related long-term rate of return expected at 29 January 2011</b>	<b>Market value as at 29 January 2011 £000</b>	Market related long-term rate of return expected at 30 January 2010	Market value as at 30 January 2010 £000
Equities	<b>8.30%</b>	<b>6,013</b>	7.70%	13,143
Corporate bonds	<b>5.60%</b>	<b>4,288</b>	5.70%	6,503
Government bonds	-	-	4.40%	5,683
Targeted return fund	<b>7.67%</b>	<b>18,857</b>	7.70%	2,883
Other	<b>4.40%</b>	<b>82</b>	4.40%	202
		<b>29,240</b>		28,414

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns from equities and the targeted return fund are based on real rates of return experienced in the respective markets. Expected yields on bonds and other investments (mostly cash deposits) are based on the gross redemption yields as at the balance sheet date.

The amounts charged/(credited) to the income statement are determined as follows:

	<b>2011 £000</b>	2010 £000
Current service cost	-	168
Curtailment gain	-	(599)
Expected return on pension assets	<b>(1,705)</b>	(1,530)
Interest on pension liabilities	<b>1,753</b>	1,958
	<b>48</b>	(3)

## Notes to the Financial Statements

continued

### 23 Pension commitments continued

Changes in the present value of the Scheme's liabilities are as follows:

	At 29 January 2011 £000	At 30 January 2010 £000
Present value of liabilities at the beginning of the period	31,818	39,369
Current service cost	-	168
Curtailment gain	-	(599)
Interest cost	1,753	1,958
Member contributions	-	50
Bulk transfer	-	(8,396)
Benefits paid	(2,143)	(4,188)
Actuarial (gain)/loss	(415)	3,456
Present value of liabilities at the end of the period	31,013	31,818

Changes in the present value of the Scheme's assets are as follows:

	At 29 January 2011 £000	At 30 January 2010 £000
Present value of assets at the beginning of the period	28,414	35,232
Expected return on assets	1,705	1,530
Employer contributions	300	568
Member contributions	-	50
Bulk transfer	-	(8,396)
Benefits paid	(2,143)	(4,188)
Actuarial gain	964	3,618
Present value of assets at the end of the period	29,240	28,414

The actual return on the Scheme's assets was £2,669,000 (2010: £5,148,000).

The movement in the overall pension deficit included in the balance sheet is as follows:

	At 29 January 2011 £000	At 30 January 2010 £000
Deficit at the beginning of the period	3,404	4,137
Current service cost	-	168
Curtailment gain	-	(599)
Net interest expense	48	428
Contributions	(300)	(568)
Actuarial gain	(1,379)	(162)
Deficit at the end of the period	1,773	3,404

## Notes to the Financial Statements

### 23 Pension commitments continued

Cumulative actuarial losses recognised in equity:

	At 29 January 2011 £000	At 30 January 2010 £000
At the beginning of the period	4,012	4,174
Actuarial gain recognised in the period	(1,379)	(162)
At the end of the period	2,633	4,012

History of pension deficit:

	At 29 January 2011 £000	At 30 January 2010 £000	At 31 January 2009 £000	At 26 January 2008 £000	At 27 January 2007 £000
Present value of schemes liabilities	31,013	31,818	39,369	44,307	43,581
Fair value of schemes assets	29,240	28,414	35,232	43,460	41,316
Deficit	(1,773)	(3,404)	(4,137)	(847)	(2,265)
Experience adjustments on plan liabilities	–	599	1,066	(24)	124
Experience adjustments on plan assets	964	3,618	(8,922)	(2,583)	(352)

### 24 Related party transactions

The group has taken the IAS 24 exemption allowing related party transactions with wholly owned subsidiaries of the parent to be omitted.

During the period the ultimate parent company, Alexon Group plc, received net interest payments of £0.1 million in relation to loans with other group companies.

There are no other related party transactions for the period ending 29 January 2011 other than key management compensation which is disclosed in note 10.

### 25 Principal subsidiaries

The principal subsidiary undertaking of the Group and Company as at 29 January 2011 was:

Name of company	Held by	Proportion of voting rights and shares held	Nature of business
Alexon International Limited	Group	100%	Womenswear

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

Alexon International Limited is incorporated in the United Kingdom.

## Five Year Review

	<b>52 weeks to January 2011</b>	52 weeks to January 2010	53 weeks to January 2009 (restated)	52 weeks to January 2008 (restated)	52 weeks to January 2007 (restated)
	<b>£000</b>	£000	£000	£000	£000
<b>Income statement</b>					
Turnover — continuing operations	<b>135,924</b>	153,382	177,593	181,743	191,649
Operating profit/(loss):					
Continuing operations	<b>1,255</b>	(364)	10,346	13,886	12,637
Exceptional items	<b>(673)</b>	(13,359)	(8,515)	(3,191)	(3,664)
Operating profit/(loss) from continuing operations	<b>582</b>	(13,723)	1,831	10,695	8,973
Profit/(loss) from continuing operations before tax	<b>86</b>	(14,251)	2,256	12,148	9,599
Profit/(loss) from continuing operations after tax	<b>867</b>	(14,184)	1,867	7,200	7,277
(Loss)/profit from discontinued operations	<b>(117)</b>	8,382	(29,983)	(19,416)	(32,834)
Profit/(loss) for the financial period attributable to equity holders of the Company	<b>750</b>	(5,802)	(28,116)	(12,216)	(25,557)
<b>Balance sheet</b>					
Property, plant and equipment	<b>6,171</b>	5,116	6,298	7,419	10,953
Net current assets	<b>14,027</b>	3,498	27,924	27,211	46,907
Total equity/(deficit)	<b>14,408</b>	(4,712)	4,608	34,663	67,636
<b>Statistical information</b>					
Operating profit/(loss) before exceptional items	<b>0.9%</b>	(0.2)%	5.8%	7.6%	6.6%
Profit/(loss) from continuing operations before tax on total turnover	<b>0.1%</b>	(9.3)%	1.3%	6.7%	5.0%
Profit/(loss) from continuing operations before tax on total equity	<b>0.6%</b>	302.4%	49.0%	35.0%	14.2%
Earnings/(losses) per share from continuing operations — basic	<b>0.66p</b>	(31.74)p	4.18p	11.84p	14.86p

The above figures have been extracted from the Group's published Annual Report and accounts for the last five years. Figures relating to the income statement for 2007 to 2009 have been restated to reflect continuing operations as at 29 January 2011.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Alexon Group plc will be held at 40–48 Guildford Street, Luton LU1 2PB on 7 July 2011 at 3.00 pm for the following purposes:

### ORDINARY BUSINESS

1. To receive the annual financial statements for the 52 weeks to 29 January 2011, together with the reports of the directors and auditors thereon.
2. In accordance with article 110 of the Company's articles of association, to reappoint D. Adams who has been appointed as a Director of the Company since the last Annual General Meeting.
3. In accordance with article 110 of the Company's articles of association, to reappoint A. Palmer-Baunack who has been appointed as a Director of the Company since the last Annual General Meeting.
4. In accordance with article 106 of the Company's articles of association, to reappoint J. Boyle as a Director of the Company.
5. In accordance with article 106 of the Company's articles of association, to reappoint P. Redhead as a Director of the Company.
6. To reappoint PricewaterhouseCoopers LLP as auditors of the Company.
7. To authorise the Directors to set the remuneration of the auditors.

### SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which numbers 8 and 9 will be proposed as ordinary resolutions and numbers 10 to 12 will be proposed as special resolutions:-

8. To approve the Directors' Remuneration Report for the 52 weeks ended on 29 January 2011.
9. That the Directors be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:
  - (a) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £6,095,319 (such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum); and
  - (b) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £12,190,639 (such amount to be reduced by any allotments or grants made under (a) above) in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorisations to expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 or 31 July 2012, whichever is the earlier, save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired.

10. That, subject to the passing of resolution 9 set out in the notice of the 2011 Annual General Meeting of the Company, the directors be given power pursuant to sections 570 (1) and 573 of the Companies Act 2006 (the "Act") to:
  - (a) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorisation conferred by that resolution; and

## Notice of Annual General Meeting

continued

(b) sell ordinary shares (as defined in section 560(1) of the Act) held by the Company as treasury shares for cash,

as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:

- (i) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under resolution 9(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal regulatory or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- (ii) in the case of the authorisation granted under resolution 9(a) above (or in the case of any transfer of treasury shares), and otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £919,455,

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 or 31 July 2012, whichever is the earlier, save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry 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.

11. That the Company is generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of any of its ordinary shares of 12.5p 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 14,711,275 representing approximately 10% of the issued ordinary share capital at 29 January 2011;
- (b) the minimum price that may be paid for each ordinary share is 12.5p which amount shall be exclusive of expenses, if any;
- (c) the maximum price (exclusive of expenses) that may be paid for each ordinary share is an amount equal to 105% 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 the Annual General Meeting in 2012 or 31 July 2012, whichever is the earlier; and
- (e) the Company may, before this authority expires, make a contract to purchase ordinary shares that 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.

12. That a general meeting of the Company (other than an annual general meeting) may be called on not less than 14 clear days' notice.

By order of the Board

**John Boyle**

Company Secretary

27 May 2011

## NOTES

The issued share capital of the Company consists entirely of 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 Annual General Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at 6.00 pm on 5 July 2011 or, in the event of any adjournment, at 6.00 pm on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members 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 at this meeting.

A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, to speak and to vote at the Annual General Meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. A form of proxy for the meeting is enclosed.

To be valid any proxy form or other instrument appointing a proxy must be received by post or by hand (during normal business hours only) by our registrar Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL, United Kingdom, no later than 48 hours before the time of the meeting. If you are a CREST member, see below.

Completion of a form of proxy, or other instrument appointing a proxy or any CREST Proxy Instruction will not preclude a member attending and voting in person at the meeting if he/she wishes to do so.

Alternatively, if you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service. Further details are contained below.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by using the procedures, and to the address, described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent ID of RA19 by the latest time(s) for receipt of proxy appointments specified in the notice of the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Copies of executive Directors' service agreements, copies of the terms and conditions of appointment of non-executive Directors and a copy of existing memorandum and articles of association of the Company are available for inspection at the Company's registered office during normal business hours from the date of this notice until the close of the Annual General Meeting (Saturdays, Sundays and public holidays excepted) and will be available for inspection at the place of the meeting for at least 15 minutes prior to and during the meeting.

Any member attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

## Notice of Annual General Meeting

continued

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by shareholders of the Company.

As at 26 May 2011 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 147,112,753 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at that date were 147,112,753.

You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice of Meeting (or in any related documents) to communicate with the Company for any purposes other than those expressly stated.

A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.alexongroup.co.uk](http://www.alexongroup.co.uk).

Shareholders should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, (the "2006 Act") the Company may be required to publish on a website a statement setting out any matter relating to any circumstance connected with an auditor of the Company appointed for financial years beginning on or after 6 April 2008 ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006 that the members propose to raise at the Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

Explanatory notes concerning the resolutions set out in this notice can be found on pages 10 and 11 of the Annual Report.

### Recommendation

The directors believe that all the proposed resolutions to be considered at the Annual General Meeting as set out in this document are in the best interests of the Company and its shareholders as a whole. Accordingly, they unanimously recommend that you vote in favour of them.

# Alexon Group PLC

## Company Information

### Directors

R. Handover\* CBE Chairmant  
J. McNally Chief Executive  
J. Boyle Finance Director and Company Secretary  
P. Redhead\*  
A. Palmer-Baunack\* (appointed 1 July 2010)  
D. Adams\* (appointed 1 September 2010)  
A. Moulds\* (resigned 31 December 2010)

\* Non-Executive

### Registered Office

40–48 Guildford Street  
Luton LU1 2PB  
Tel: (01582) 723131

### Company Number

431265

### Registrars & Transfer Office

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Tel: 0871 384 2165\*\*

Tel (overseas): +44 121 415 7047

### Auditor

PricewaterhouseCoopers LLP

### Banker

Barclays Bank plc

### Financial Advisor

Investec Bank plc

### Stockbroker

Investec Bank plc

### Solicitor

Ashurst LLP

\*\*Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary.  
Lines open 8.30 am to 5.30 pm, Monday to Friday



 **ALEXON**  
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**Alexon Group plc**

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