

ALEXON GROUP PLC

Alexon Group plc, the leading retailer of ladies wear, announces Interim Results for the 26 weeks to 26 July 2008.

Key Points

- Operating profit of £5.2m (2007: £8.7m)
- Turnover from continuing operations of £123.1m (2007: £129.9m);
- Gross margins increased by 0.9%. Like for like sales down 7.3%.
- Interim dividend proposed of 1.0p (2007: 3.0p);
- Ungeared balance sheet with net cash of £4.7m
- Appointment of Jane McNally as Chief Executive
- Strengthening of operational management with the appointment of three Brand Directors responsible for all aspects of Brand trading performance

Jane McNally, Chief Executive, commented:

"This is a challenging trading period for retailers however the Alexon Brands are in an attractive demographic market sector and I am confident that the Group has excellent prospects over the medium and long term."

For further information:

Alexon Group

Jane McNally, Chief Executive
Robin Piggott, Finance Director

020 7597 5000 (today) &
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Results

Operating profit for the 26 weeks ended 26 July 2008 was £5.2million against £8.7 million for the prior year.

Overall sales were 5% lower than the prior year at £123.1 million, with like-for-like sales down 7.3%. Gross margins, however, were 0.9% higher and terminal stocks were lower than last year.

Alexon Brands

Operating profit for the Division was £6.7 million against £7.5 million last year. Like-for-like sales for the half were 4.1% down on the prior year. Gross margins were slightly higher than last year with heavy markdowns needed to clear Spring/Summer stocks being offset by better intake margins.

Minuet and Kaliko both recorded small like-for-like sales growth as actions taken to improve the ranges in the second half of last year took effect. Alex & Co and Eastex performed in line with the market with small like-for-like sales deficits, and Dash, after a difficult first quarter, recovered to finish the half with a single digit like-for-like sales shortfall. Ann Harvey had a disappointing first half with sales below expectations.

Bay Trading

Operating loss was £1.4 million compared to an operating profit of £1.2 million last year. Like-for-like sales were down 14.5%, but on a slightly higher gross margin.

Although Bay Trading operates in a particularly challenging market it is currently underperforming its potential. A new management team has recently been appointed and is now working to establish a strong niche proposition with improved speed to market and product differentiation.

We plan to open eight shops, on turnover related rents, in the current year. Six concessions were opened in the first half, with a further nineteen planned to open in the second half.

Current trading

Alexon Brands and Bay Trading like-for-like sales are down 3.3% and 12.5% respectively in the first eight weeks of the second half. Alexon Brands gross margins are in line with last year, with Bay Trading slightly below. Overall outlet numbers are expected to reduce by 2% in the second half of the year. The current trading climate remains challenging and the outcome for the year will again be dependent on the Christmas trading period.

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Outlook

The Board is confident that the Alexon Brands are in a demographic market sector which has excellent prospects over the medium and long term as the number of women aged over 65 is predicted to rise by 20% over the next decade. Over the same period, the young teens to twenties population is also set to rise and as this market has historically demonstrated good resilience in difficult economic times, the Board is confident that, appropriately positioned, the prospects for Bay Trading are also sound.

Overall, the Group's brand positioning is strong despite some lost share in the wider premium market which the Board is confident can be recovered with prudent focused investment.

The principal risks and uncertainties facing the Group over the remainder of the financial year have not changed from those detailed on page 7 of the Group's 2008 Annual Report.

Management and organisation

On 16 June 2008, Jane McNally joined the Group as Chief Executive and John Osborn left the Group after 15 years.

Jane has commenced a review of the Group's activities, organisation and management.

This has led to a number of important appointments being made to strengthen the operational management team and ensure a number of succession planning issues are appropriately addressed. These appointments include three at Brand director level:

- o Jane Eskriett has been appointed to head up Bay Trading and Ann Harvey. Jane was previously Womenswear Director at New Look and Primark, ;
- o Charlotte Davis, currently at M&S as Head of Buying responsible for the turnaround childrenswear and womens 'Limited Collection' ranges, has been appointed to direct the Kaliko and Minuet brands and;
- o Hanna Obdam, currently the Alexon Group Fashion Director, will manage the Eastex, Dash and Alex & Co brands.

The new Brand Directors will be responsible for all aspects of trading performance for their respective brands and report directly to Jane McNally.

Balance sheet

The Group's balance sheet remains ungeared and the Board intends to maintain its rigorous commitment to strong cash generation and strict control over operating costs, capital expenditure and working capital. A payment of £1.6m in cash has been received in September in connection with the closure of the escrow account established as part of the disposal of Style Menswear earlier in the year. The Board expects to end the financial year with net cash on the balance sheet.

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Dividend

The Board has declared a reduced interim dividend of 1.00p per Ordinary Share (2007 3.00p). The interim dividend is payable on 28 November 2008 to shareholders on the register at 31 October 2008.

The Board intends to review the dividend for the full year and the Group's ongoing dividend policy when the preliminary results are announced in March 2009, at which time the outlook for the financial year 2009/2010 can be more accurately assessed.

Outlets

A breakdown of outlets as at 26th July 2008 is as follows:-

	UK Shops	UK Concessions	European Concessions	Total
Alexon Brands	78	873	142	1,093
Bay Trading	167	57	15	239
Total	<u>245</u>	<u>930</u>	<u>157</u>	<u>1,332</u>

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CONSOLIDATED INCOME STATEMENT

		Unaudited	Unaudited	Audited 52 weeks to 26 January 2008		
		26 weeks to 26 July 2008	26 weeks to 28 July 2007 (restated)	Pre- exceptional items	Exceptional items	Total
Note	£000's	£000's	£000's	£000's	£000's	£000's
Revenue – continuing operations	5	123,119	129,945	262,139	-	262,139
Cost of sales		(109,652)	(113,215)	(227,528)	(4,411)	(231,939)
Gross profit – continuing operations		13,467	16,730	34,611	(4,411)	30,200
Administrative expenses		(3,837)	(3,455)	(7,977)	-	(7,977)
Distribution costs		(4,395)	(4,607)	(11,676)	-	(11,676)
Operating profit/(loss) – continuing operations	5	5,235	8,668	14,958	(4,411)	10,547
Finance income		312	773	1,535	-	1,535
Finance expense		(53)	(126)	(87)	-	(87)
Profit/(loss) before taxation		5,494	9,315	16,406	(4,411)	11,995
Income tax (expense)/credit		(1,676)	(2,962)	(5,676)	124	(5,552)
Profit/(loss) for the financial period from continuing operations attributable to equity holders of the Company		3,818	6,353	10,730	(4,287)	6,443
Loss from discontinued operations	4	(586)	(2,028)	-	(18,659)	(18,659)
Profit/(loss) for the financial period attributable to equity holders of the Company		3,232	4,325	10,730	(22,946)	(12,216)
Earnings per share from continuing operations attributable to equity holders of the Company during the period						
Basic and diluted	6	8.54p	11.32p			11.84p
Losses per share from discontinued operations attributable to equity holders of the Company during the period						
Basic	6	(1.31)p	(3.61)p			(34.29)p
Earnings/(losses) per share from total operations attributable to equity holders of the Company during the period						
Basic	6	7.23p	7.71p			(22.45)p
Diluted	6	7.23p	7.70p			(22.45)p

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STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Unaudited 26 weeks to 26 July 2008 £000's	Unaudited 26 weeks to 28 July 2007 £000's	Audited 52 weeks to 26 January 2008 £000's
Actuarial (loss)/gain arising in defined benefit pension scheme	(1,468)	(108)	816
Tax on items taken directly to equity	479	48	(701)
(Loss)/gain on cash flow hedges	(242)	(52)	1,363
Net (expense)/income recognised directly in equity	(1,231)	(112)	1,478
Profit/(loss) for the financial period	3,232	4,325	(12,216)
Total recognised income/(expense) for the financial period attributable to equity holders of the Company	2,001	4,213	(10,738)

A statement of changes in equity can be found in note 14.

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CONSOLIDATED BALANCE SHEET

	£000's	Unaudited as at 26 July 2008 £000's	£000's	Unaudited as at 28 July 2007 £000's	£000's	Audited as at 26 January 2008 £000's
Non-current assets						
Goodwill	11,867		17,703		11,867	
Property, plant and equipment	7,405		9,925		7,419	
Deferred tax	1,705		1,642		1,344	
Pension assets	304		366		235	
		21,281		29,636		20,865
Current assets						
Inventory	34,076		41,765		33,323	
Trade and other receivables	18,702		23,130		20,563	
Derivative financial instruments	48		-		441	
Current tax recoverable	-		2,636		2,245	
Cash and cash equivalents	5,026		17,796		4,502	
		57,852		85,327		61,074
		-		-		7,914
Assets classified as held for sale						
Current liabilities						
Trade and other payables	(32,115)		(37,262)		(33,863)	
Derivative financial instruments	-		(839)		-	
Short term borrowings	(312)		(60)		-	
Current tax payable	(1,200)		-		-	
		(33,627)		(38,161)		(33,863)
Liabilities classified as held for sale		-		-		(7,914)
Net current assets		24,225		47,166		27,211
Non-current liabilities						
Long term provisions	(8,514)		(6,780)		(11,478)	
Accruals and deferred income	(727)		(1,536)		(853)	
Pension liabilities	(2,405)		-		(1,082)	
Total non-current liabilities		(11,646)		(8,316)		(13,413)
Net assets		33,860		68,486		34,663
Equity attributable to equity holders of the Company						
Share capital	8	10,902		5,706		10,902
Share premium	8	22,066		39,378		22,189
Capital redemption reserve		15,002		3,131		15,002
Cash flow hedge reserve		(32)		(1,205)		210
Retained earnings		(14,078)		21,476		(13,640)
Total equity		33,860		68,486		34,663

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CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 26 weeks to 26 July 2008	Unaudited 26 weeks to 28 July 2007 (restated)	Audited 52 weeks to 26 January 2008
	£000's	£000's	£000's
Cash flow from operating activities			
Cash generated from continuing operations	2,505	10,534	19,265
Interest received (continuing operations)	316	414	850
Interest paid (continuing operations)	(34)	(76)	(109)
Tax received/(paid) (continuing operations)	1,887	(653)	(3,205)
Cash used in discontinued operations	(1,015)	(2,094)	(825)
Net cash generated from operating activities	3,659	8,125	15,976
Investing activities			
Disposal of subsidiary undertaking	(586)	-	-
Purchase of property, plant and equipment (continuing operations)	(1,038)	(651)	(2,081)
Purchase of property, plant and equipment (discontinued operations)	-	(101)	(229)
(Costs)/proceeds of disposals of property, plant and equipment (continuing operations)	(34)	-	136
Proceeds of disposals of property, plant and equipment (discontinued operations)	-	-	224
Net cash used in investing activities	(1,658)	(752)	(1,950)
Financing activities			
Arising from the issue of shares	-	6	9
Purchase of own shares	(123)	-	(11,994)
Dividends paid to holders of redeemable preference shares	-	-	(5,196)
Dividends paid to Company's shareholders	(2,681)	(3,369)	(5,054)
Net cash used in financing activities	(2,804)	(3,363)	(22,235)
Net (decrease)/increase in cash and cash equivalents	(803)	4,010	(8,209)
Cash and cash equivalents at the beginning of the period	5,517	13,726	13,726
Cash and cash equivalents at the end of the period	4,714	17,736	5,517
Included in cash and cash equivalents on the balance sheet	5,026	17,796	4,502
Included in short term borrowings on the balance sheet	(312)	(60)	-
Included in assets held for sale	-	-	1,015
	4,714	17,736	5,517

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Notes to condensed consolidated half yearly financial information.

1 General information

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 40-48 Guildford Street, Luton, LU1 2PB.

The Company has its primary listing on the London Stock Exchange.

This condensed consolidated financial information for the 26 weeks to 26 July 2008 was approved for issue on 23 September 2008.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the 52 weeks ended 26 January 2008 were approved by the Board of Directors on 30 April 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

2 Basis of preparation

This condensed consolidated financial information for the 26 weeks ended 26 July 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated financial report should be read in conjunction with the annual financial statements for the 52 weeks ended 26 January 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the 52 weeks ended 26 January 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Restatement of prior year information

In accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations', comparative information for the 26 weeks to 28 July 2007 relating to discontinued operations has been restated in the income statement and statement of cash flows.

4 Discontinued operations

The disposal of the Menswear business segment was completed on 5 February 2008. Disposal costs incurred in relation to the sale were £586,000.

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Notes to condensed consolidated half yearly financial information.

5 Segmental information

	Segment turnover		Segment results	
	26 weeks to 26 July 2008 £000's	26 weeks to 28 July 2007 £000's	26 weeks to 26 July 2008 £000's	26 weeks to 28 July 2007 £000's
Alexon Brands	87,017	89,466	6,712	7,518
Bay Trading	36,102	40,479	(1,374)	1,212
	<u>123,119</u>	<u>129,945</u>	<u>5,338</u>	<u>8,730</u>
Unallocated costs			(103)	(62)
			<u>5,235</u>	<u>8,668</u>
Finance income			312	773
Finance expense			(53)	(126)
Profit before taxation			<u>5,494</u>	<u>9,315</u>
Income tax expense - continuing operations			(1,676)	(2,962)
Profit for the period from continuing operations			<u>3,818</u>	<u>6,353</u>
Loss from discontinued operations before taxation			(586)	(2,911)
Tax on discontinued operations			-	883
Profit for the period attributable to equity holders of the Company			<u>3,232</u>	<u>4,325</u>

6 Earnings per share

Continuing operations

The calculation of basic earnings per ordinary share is based on profits from continuing operations of £3,818,000 (2007: £6,353,000) and on 44,686,680 ordinary shares (2007: 56,129,491) 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 all dilutory share options granted to directors and key employees.

Reconciliations of earnings and the weighted average number of shares are set out below.

	<u>26 weeks to 26 July 2008</u>			<u>26 weeks to 28 July 2007</u>		
	Earnings (£)	Weighted average number of shares	Per share pence	Earnings (£)	Weighted average number of shares	Per share pence
Basic earnings	3,818,000	44,686,680	8.54	6,353,000	56,129,491	11.32
Effect of dilutive securities						
options	-	-	-	-	12,342	-
Diluted earnings	<u>3,818,000</u>	<u>44,686,680</u>	<u>8.54</u>	<u>6,353,000</u>	<u>56,141,833</u>	<u>11.32</u>

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Notes to condensed consolidated half yearly financial information.

Discontinued operations

The calculation of basic earnings per ordinary share is based on losses from discontinued operations of £586,000 (2007: £2,028,000) and on 44,686,680 (2007: 56,129,491) ordinary shares being the weighted average number of ordinary shares in issue.

	<u>26 weeks to 26 July 2008</u>			<u>26 weeks to 28 July 2007</u>		
	Losses (£)	Weighted average number of shares	Per share pence	Losses (£)	Weighted average number of shares	Per share pence
Basic losses	(586,000)	44,686,680	(1.31)	(2,028,000)	56,129,491	(3.61)

Total operations

The calculation of basic earnings per ordinary share is based on profits from total operations of £3,232,000 (2007: £4,325,000) and on 44,686,680 (2007: £56,129,491) ordinary shares 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 all dilutory share options granted to directors and key employees.

Reconciliations of earnings and the weighted average number of shares are set out below.

	<u>26 weeks to 26 July 2008</u>			<u>26 weeks to 28 July 2007</u>		
	Earnings (£)	Weighted average number of shares	Per share pence	Earnings (£)	Weighted average number of shares	Per share pence
Basic earnings	3,232,000	44,686,680	7.23	4,325,000	56,129,491	7.71
Effect of dilutive securities : options	-	-	-	-	12,342	(0.01)
Diluted earnings	3,232,000	44,686,680	7.23	4,325,000	56,141,833	7.70

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Notes to condensed consolidated half yearly financial information.

7 Property, plant and equipment and goodwill

	Property, plant and equipment £000's	Goodwill £000's
26 weeks ended 26 July 2008		
Opening net book amount 26 January 2008	7,419	11,867
Additions	1,038	-
Disposals	(44)	-
Depreciation, amortisation, impairment and other movements	(1,008)	-
Closing net book amount 26 July 2008	<u>7,405</u>	<u>11,867</u>
26 weeks ended 28 July 2007		
Opening net book amount 27 January 2007	10,953	17,703
Additions	752	-
Disposals	(272)	-
Depreciation, amortisation, impairment and other movements	(1,508)	-
Closing net book amount 28 July 2007	<u>9,925</u>	<u>17,703</u>

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Notes to condensed consolidated half yearly financial information.

8 Share capital

	Ordinary 10p No of shares	Shares £000's	Ordinary 12.5p No of shares	shares £000's	Deferred 10p No of shares	Shares £000's	Deferred 30p No of shares	shares £000's	Share premium £000's
Opening balance at 27 January 2007	56,886,096	5,689	-	-	166,086	17	-	-	39,372
Proceeds from shares issued – employee share option scheme	3,612	-	-	-	-	-	-	-	6
At 28 July 2007	56,889,708	5,689	-	-	166,086	17	-	-	39,378
Opening balance at 26 January 2008	-	-	45,511,768	5,689	166,086	17	17,319,778	5,196	22,189
Costs associated with the issue of redeemable preference shares	-	-	-	-	-	-	-	-	(123)
A 26 July 2008	-	-	45,511,768	5,689	166,086	17	17,319,778	5,196	22,066

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Notes to condensed consolidated half yearly financial information.

9 Retirement benefit plans

The amounts recognised in the income statement were as follows:

	July 2008 £000's	July 2007 £000's
Current service cost	257	315
Interest cost	1,304	1,107
Expected return on plan assets	<u>(1,300)</u>	<u>(1,466)</u>
	<u>261</u>	<u>(44)</u>

The amounts recognised in the balance sheet were as follows:

	July 2008 £000's	July 2007 £000's
Present value of funded obligations	(43,428)	(43,906)
Fair value of plan assets	41,327	44,272
	<u>(2,101)</u>	<u>366</u>
(Liability)/surplus in the balance sheet		

10 Provision for liabilities and charges

	Property provisions £000's
26 weeks ended 28 July 2007	
Opening net book amount at 27 January 2007	6,377
Charged to the income statement	500
Utilised during the period	<u>(97)</u>
Closing net book amount at 28 July 2007	<u>6,780</u>
26 weeks ended 26 July 2008	
Opening net book amount at 26 January 2008	11,478
Credited to the income statement	(144)
Utilised during the period	<u>(2,820)</u>
Closing net book amount at 26 July 2008	<u>8,514</u>

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Notes to condensed consolidated half yearly financial information.

11 Income taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the 53 weeks to 31 January 2009 is 30.5% (estimated tax rate for the 26 weeks to 28 July 2007 was 32.5%). The reduction is mainly due to a change in the income tax rate from 30% to 28% with effect from 1 April 2008.

12 Dividends

A final dividend of 6p per ordinary share (2007: 6p) amounting to **£2,681,000** (2007: £3,369,000) in respect of the 52 weeks ending 26 January 2008 was paid to shareholders on 30 June 2008.

The board is declaring an interim dividend of 1p per ordinary share (2007: 3p) payable on 28 November 2008 to shareholders on the register on 31 October 2008.

13 Reconciliation of operating profit to net cash inflow from operating activities

	26 weeks to	26 weeks to	52 weeks to
	26 July 2008	28 July 2007	26 January
	£000's	£000's	2008
			£000's
Cash generated from continuing operations:			
Operating profit – continuing operations	5,235	8,668	10,547
Adjustments for:			
Depreciation	1,008	1,019	2,063
Impairment of property, plant and equipment	-	-	515
Loss on disposal of property, plant and equipment	78	272	55
Movement in net retirement benefit obligations	(218)	(2,380)	(2,517)
Changes in working capital:			
Decrease/(increase) in trade and other receivables	1,861	(883)	(1,946)
(Increase)/decrease in inventories	(753)	(768)	1,256
(Decrease)/increase in trade and other payables	(1,616)	4,411	6,676
(Decrease)/increase in long term provisions, accruals and deferred income	(3,090)	195	2,616
Cash generated from continuing operations	2,505	10,534	19,265

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	26 weeks to 26 July 2008 £000's	26 weeks to 28 July 2007 £000's	52 weeks to 26 January 2008 £000's
Cash used in discontinuing operations:			
Operating loss – discontinued operations	-	(2,882)	(2,599)
Adjustments for:			
Depreciation	-	489	928
Profit on disposal of property, plant and equipment	-	-	(220)
Changes in working capital:			
Decrease in trade and other receivables	-	232	335
Decrease/(increase) in inventories	-	112	(302)
(Decrease)/increase in trade and other payables	(1,015)	227	1,340
Decrease in long term provisions, accruals and deferred income	-	(23)	(49)
Cash used in discontinued operations	(1,015)	(1,845)	(567)
Interest paid	-	(29)	(33)
Tax paid	-	(220)	(225)
Cash flows from operating activities – discontinued operations	(1,015)	(2,094)	(825)

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Notes to condensed consolidated half yearly financial information.

14 Statement of changes in equity

	26 weeks to	26 weeks to	52 weeks to
	26 July 2008	28 July 2007	26 January
	£000's	£000's	2008
			£000's
Profit/(loss) attributable to equity shareholders	3,232	4,325	(12,216)
Dividends paid to holders of redeemable preference shares	-	-	(5,196)
Dividends paid to Company's shareholders	(2,681)	(3,369)	(5,054)
Actuarial (loss)/gain arising in defined benefit pension scheme	(1,468)	(108)	816
Tax on items taken directly to equity	479	48	(701)
Redemption of redeemable preference shares	-	-	(11,871)
(Losses)/gains on cash flow hedges	(242)	(52)	1,363
Arising on share issues	-	6	8
Cost associated with the issue of redeemable preference shares	(123)	-	(122)
	<hr/>	<hr/>	<hr/>
(Decrease)/increase in total equity	(803)	850	(32,973)
Total equity at the beginning of the period	34,663	67,636	67,636
	<hr/>	<hr/>	<hr/>
Total equity at the end of the period	33,860	68,486	34,663

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Notes to condensed consolidated half yearly financial information.

15 Post balance sheet events

An escrow account was established as part of the sale of Style in February 2008 in respect of certain Style property lease guarantees. These guarantees have now been resolved and in September 2008 the Group received £1.6m in cash from this account.

16 Related party transactions

There are no related party transactions for the 26 weeks to 26 July 2008.

Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- i. an indication of important events that have occurred during the first 26 weeks and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining 27 weeks of the financial period; and
- ii. material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

The directors of Alexon Group plc are listed in the 2008 Annual Report, with the exception of the following change in the period: Mrs Jane McNally was appointed as Chief Executive Officer on 16 June 2008, replacing Mr John Osborn who retired on 31 August 2008.

By order of the Board
R. Piggott – Group Finance Director and Company Secretary