

ALEXON GROUP PLC

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Directors	J. Martin* FCCA Chairman (resigned 1 March 2008) R.G. Handover* CBE Chairman (appointed 1 March 2008) A.H.A. Osborn MA ACIS Chief Executive (resigned 29 August 2008) J. McNally Chief Executive (appointed 16 June 2008) R.A.K.W. Piggott MA FCCA ACIS Finance Director and Company Secretary J. Herbert* (resigned 9 October 2008) J. Beale* (resigned 31 January 2009) P. Redhead* (appointed 1 November 2008) A.P. Moulds* MA FCA (appointed 1 November 2008) *Non-executive
Registered Office	40-48 Guildford Street Luton LU1 2PB Tel: 01582 723131
Company Number	431265
Registrars and Transfer Office	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA Tel: 0871 384 2165
Auditors	PricewaterhouseCoopers LLP
Bankers	Barclays Bank plc
Financial Advisors	Oriel Securities Limited
Stockbrokers	Oriel Securities Limited
Solicitors	Ashurst LLP

I am pleased to say that the performance of Alexon in the past year has been resilient despite the difficult market conditions and the changes taking place at the Company.

Since the appointment of Jane McNally as Chief Executive in June 2008, there has been an intense focus on restructuring the business to establish sound foundations for future growth. I am pleased to report that good progress has been made in strengthening the management team around Jane to support her as she executes our turnaround strategy.

Although it happened post year end, I would like to take a moment to comment on Bay Trading. In April 2009 we took steps to reduce the financial and operating risks in Alexon Group by withdrawing the financial facility to Epcoscan Limited, the holding company for Bay Trading, which resulted in Epcoscan entering into administration. Although incredibly difficult for us to make, this decision provides certainty for the Group as the core Alexon Brands business remains robust, profitable and cash generative. Management has a clear turnaround plan in place for the business and despite difficult market conditions I have every confidence in the future of Alexon Group.

Given the challenging economic outlook the Board is minded to preserve capital and therefore has decided not to recommend payment of a final dividend. The dividend for the year, paid in November 2008, is therefore 1.0p per ordinary share (2008: 9.0p).

There were a number of changes to the Board during the year. John Herbert and John Beale retired from the Board on 9 October 2008 and 31 January 2009 respectively. The Board is extremely grateful for the valuable contributions from them both during their years on the Board and wishes them every success in the future. Following John Herbert and John Beale's retirement I am delighted that Adrian Moulds, MA, FCA, and Peter Redhead have been appointed as non-executive directors. We look forward to their contribution and to working with them.

This year has seen an unprecedented environment for all the Alexon Group team to deal with. I would like to thank the whole team for all their commitment and effort in what has been a very challenging year.



Richard Handover

On 22 April 2009 the Group published its preliminary announcement in respect of the financial performance for the 53 weeks ending 31 January 2009. The announcement made reference to the poor performance of its Bay Trading operation and of the possible need to significantly reduce the cost base of the division. Immediately following this preliminary announcement the Group was notified that credit insurance was being withdrawn from all of the Group's suppliers. As a result of this notification the Group decided to withdraw its financial support of Epcoscan Limited, its wholly owned subsidiary, which traded as Bay Trading Company, and the company was placed into administration.

In accordance with IAS 10 'Events after the balance sheet date', this has been treated as a non-adjusting post balance sheet event. The following review was published as part of the preliminary announcement on 22 April and has been updated to reflect the placing of Epcoscan Limited into administration where relevant.

Overview of financial performance

2008 was a challenging year for Alexon, but since the appointment of Jane McNally as Chief Executive in June 2008, there has been an intense focus on restructuring the business to establish sound foundations for future growth.

Despite the difficult market conditions and the rapid change taking place at Alexon, a resilient performance has been delivered. Pre-tax profit from continuing operations, before exceptional items, for the 53 weeks ended 31 January 2009 was in line with market expectations at £3.5 million (2008: £16.4 million). The total loss for the period, after tax and exceptional items, was £28.1 million (2008: loss of £12.2 million). Group sales were down 9.1% on a like-for-like basis, with gross margins down 0.2% on the prior year. Loss per share was 62.92p (2008: loss per share of 22.45p). No final dividend is proposed, making the total dividend 1.0 pence per share for the year (2008: 9.0 pence per share).

The core Alexon Brands delivered a respectable performance with operating profit, before exceptional items, of £10.1 million against £14.0 million last year. Like-for-like sales for the year were 6.0% down with margins 0.1 percentage points higher. Heavier markdowns needed to clear stocks were offset by higher buying margins. Dash and Minuet performed well and Alex & Co and Kaliko showed a small recovery after a tough prior year. Eastex's performance was consistent with host store trends. High markdown levels in Ann Harvey reflected old stock clearance and some range issues.

Bay Trading experienced a tough trading environment and produced an operating loss, before exceptional items, of £7.2 million against a profit of £1.1 million last year. Like-for-like sales were 16% down on margins 1.1 percentage points lower than the prior year. A significant amount of markdown was required to clear excess aged stock, but this meant that stocks ended at an appropriate, lower, level than the prior year. Bay Trading losses reflected intense and growing competition in the value sector and underlined the requirement for brand re-positioning. Regrettably, Bay Trading continued to incur significant trading losses. In April 2009 the Group concluded that the potential drain on its resources was unsustainable and it was forced to withdraw its financial support. As a result Epcoscan Limited, the subsidiary which traded as Bay Trading, was placed into administration.

Overall group stock levels remain tightly controlled ending the year 10% below the prior year. The reduction is entirely accounted for by lower Autumn 2008 and earlier season's stock.

Significant provisions of £17.1 million have been made in the year in respect of onerous property leases. This is due to the worsening retail property market where the prospects for disposing of leases have deteriorated and consequently provisions in respect of a number of properties have been calculated based on trading losses to the end of the lease. Included within the provision are 13 leases which have returned to the Group under guarantee arrangements following the failure of Dolcis Ltd, and 11 leases which are expected to return to the Group following the failure of Style Menswear Ltd.

In addition, an impairment charge of £11.9 million was recorded in respect of goodwill associated with Bay Trading.

Turnaround plan

Since the arrival of Jane McNally as Chief Executive Officer in June 2008 a detailed review of the business has been undertaken. Jane has identified a number of issues within the business, in particular: a weakened brand identity in four of the seven brands; an operational structure and legacy leases that are not aligned to the forward strategy; a lack of investment and best practice in many areas; and a depleted management team in an increasingly competitive market.

The Board believes there is an exciting opportunity to build on the strong heritage of the Alexon Brands; improving the benefits of a diversified brand portfolio, exploiting a growing demographic audience across the portfolio and capitalising on a solid model with low fixed costs.

Priorities for the business have been split into immediate, medium term and longer term. These were:

- Immediate – strengthen the management team and operational structures; improve buying and minimise excess aged stock; and clearer direction on brand and product design.
- Medium term – new branding and product development for key brands; communicate change to customers; enhance multi-channel opportunities; drive more business through host stores; and reduce costs and put property portfolio on a sound footing.
- Long term – revive all brands to growth and profitability; sustainable re-fit programme; and reposition and enhance stand-alone store portfolio.

The immediate priorities have largely been completed whilst good progress has been made on some of the medium term priorities, as described in further detail below.

Store portfolio

As at 31 January 2009, the Group store portfolio comprised a total of 1,351 outlets (2008: 1,317) of which the core Alexon Brands comprised 1,083 and Bay Trading 268. The Alexon Brands have 80 directly operated stores in the UK with the vast majority of the portfolio consisting of concession outlets – 860 in the UK and 143 in mainland Europe. Bay Trading had 171 directly operated stores in the UK with 97 concession outlets, 17 of which were in mainland Europe.

Constructive discussions are underway with a number of landlords with a view to moving from payment of rent quarterly in advance to monthly in advance and improved rental terms are being achieved on lease renewals.

Dividend

Given the challenging economic outlook and the need to preserve capital the Board has decided not to recommend payment of a final dividend. The dividend for the year, paid in November 2008, is therefore 1.0p (2008: 9.0p) per ordinary share.

Current trading

The new financial year has started solidly for the Alexon Brands and like-for-like sales for the fourteen weeks ended 23 May (excluding the first two weeks of the financial year which were affected by snow) were down 10.5%.

We are establishing solid foundations within Alexon which will position us for future growth. The management team is now fully re-structured and retirement vacancies filled. The new team have chosen to join Alexon from established retailers including New Look, Primark, Marks and Spencer, and Debenhams because they are excited by the turnaround potential within Alexon. Their joint expertise is being drawn upon to bring current 'best practice' retail standards into the business. Strategies for improving product sourcing, selection and distribution are already showing benefits.

Brand positions have been re-focused with a unique selling proposition for each brand and renewed emphasis on offering customer value across the board. The revived Kaliko and Alex & Co collections have been warmly received by host store partners and will arrive fully in store from June 2009. Eastex and Dash continue to trade well with their successful formula and are experiencing incremental growth through the introduction of more accessory ranges and new business avenues. The Group's specialist 'niche' brands, Ann Harvey and Minuet, are strategically building internet sales.

Bay Trading sales continued to decline and were 25.7% down on a like-for-like basis in the period from 1 February 2009 to the date on which it was placed into administration.

Outlook

The Group ended the year with net cash of £5.3 million on the balance sheet (2008: £5.5 million). The Group's bankers have recently agreed to provide a £12 million multi-option facility which has a renewal date of May 2010.

The directors present their annual report together with the financial statements for the 53 weeks to 31 January 2009.

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 page 2. The Company has its primary listing on the London Stock Exchange.

Business review***Principal activities***

The principal activity of the Group is the retailing of ladies clothing. For the 53 weeks to 31 January 2009 the Group had two operating divisions:

- Alexon Brands, which offers co-ordinated fashion ranges to women who appreciate classical styling and quality; and
- Bay Trading, a younger, more fashionable brand which targets the 16 to 30 age range for women.

Subsequent to the reporting period Bay Trading was placed into administration on 27 April 2009.

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 growth

LFL performance is measured as the increase in sales for existing outlets which have been trading since the beginning of the previous financial year.

LFL sales are monitored on a weekly basis for each operating division 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 53 weeks to 31 January 2009 showed a decrease of 9.1% reflecting a tough trading environment.

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 for each trading division.

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 decreased by 0.2% in the period under review. Whilst the annual trend in gross margins is disclosed, the Group does not disclose specific gross margin percentages as it would provide valuable information to our direct competitors.

Further details on individual brand LFL and gross margin trends are contained within the Operating and Financial Review on pages 4 and 5.

Performance during the period under review and future developments are detailed within the Operating and Financial Review on pages 4 and 5.

Principal risks and uncertainties facing the Group

The Group is exposed to the risks of the economic downturn in the UK 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 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.

Results and dividends

The results for the period are included within the Operating and Financial Review on pages 4 and 5.

The total dividend for the period is 1p per ordinary share (2008: 9p) amounting to £447,000 (2008: £4,366,000).

An interim dividend of 1p per ordinary share (2008: 3p) was paid on 26 November 2008. The Board has decided not to recommend a final ordinary dividend.

Directors and their interests

The directors of the Company as at 31 January 2009 are shown on page 2.

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 by the Board since the last AGM. Consequently, R. Piggott and R. Handover, by rotation, and J. McNally, P. Redhead and A. Moulds, 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

John Osborn, MA, ACIS, (Chief Executive), aged 64, retired from the Board in August 2008.

Jane McNally, aged 47, 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.

Robin Piggott, MA, FCCA, ACIS, (Group Finance Director and Company Secretary), aged 51, joined the Group in 1987 from a subsidiary of Granada Group plc. He was appointed to his present position in September 1995 and is responsible for corporate and financial matters.

Non-executive directors

Jim Martin, FCCA, aged 66, retired from the Board on 1 March 2008.

Richard Handover, CBE, aged 63, 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 Dautsey's School, vice chairman of the registered charity, Kids Company and chairman of the Wiltshire and Swindon Community Foundation.

John Herbert, aged 71, retired from the Board in October 2008.

John Beale, aged 64, retired from the Board in January 2009.

Adrian Moulds, aged 60, joined the Group in November 2008. He is a director of Adrisu Consultants Limited which provides consultancy and interim management services to the retail and distribution sectors. He previously served for 12 years as finance director of the Fashion Retail Division of Coats Viyella Plc.

Peter Redhead, aged 43, 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 following Mr Herberts retirement.

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

At 31 January 2009 the Company's issued share capital consisted entirely of 45,511,768 ordinary shares of 12.5p each. Details of the rights and obligations attaching to the share are given in note 22.

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.

Options granted under the share option scheme, and 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.

Substantial shareholdings

At 22 May 2009 the directors had been notified of interests amounting to 3% or more in the issued ordinary share capital of the Company as follows:

	Holding of 12.5p ordinary shares	% of issued ordinary share capital
Schroder Investment Management Limited	7,704,088	16.9%
Bestinver Gestion SGIC	7,262,044	16.0%
Church House Investment	3,200,000	7.0%
Mineworkers Pension Scheme	3,159,933	6.9%
British Coal Staff Superannuation Scheme	2,995,119	6.6%
Capital Group	2,297,508	5.0%
Polar Capital LLP	2,256,000	5.0%
M&G Investment Management Limited	1,921,889	4.2%
Bandera Partners LLC	1,907,753	4.2%
Vanguard International Explorer Fund	1,393,506	3.1%

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 the period dividends totalling £58,000 (2008: £67,000) were waived by the Trust.

Special Business at the Annual General Meeting

Resolution No. 9 is to approve the Directors' Remuneration report for the 53 weeks ended 31 January 2009, which can be found on pages 14 to 18 of this document.

Resolution No. 10 is to increase the authorised ordinary share capital of the Company from £8,226,636.875 to £9,412,861.125 by the creation of 9,489,795 ordinary shares of 12.5p each (representing an increase in the authorised ordinary share capital of approximately 14.4%), in order that the directors may take advantage of the authorities to allot under resolutions 11 and/or 12, should they wish to do so.

The directors may allot shares or grant rights over 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. 11 will be proposed as an ordinary resolution to grant new authorities to allot shares. In particular, it will grant new authorities to allot relevant securities up to an aggregate nominal value of £1,861,945 and equity securities up to an aggregate nominal value (when added to allotments under part (a) of the resolution) of £3,723,890 where the allotment is in connection with a rights issue.

These amounts represent approximately 33.33% and 66.66% respectively of the total issued ordinary share capital of the Company as at 31 January 2009. If given, these authorities will expire at the annual general meeting in 2010 or on 31 July 2010, whichever is the earlier. Where the exercise of these authorities exceeds the thresholds suggested by the Association of British Insurers (the 'ABI') in their December 2008 guidance, the directors will stand for re-election at the following annual general meeting to the extent required by the ABI.

The directors have no present intention of issuing shares pursuant to this authority.

At the date of this report the Company held 825,088 ordinary shares as treasury shares. This represents approximately 1.85% 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, where they propose to do so for cash and otherwise than to existing shareholders pro rata to their holdings. The authority granted at the last annual general meeting is due to expire at this year's annual general meeting. Accordingly, Resolution No. 12 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 £284,448 (being approximately 5% of the Company's issued ordinary share capital at 31 January 2009). If given, this authority will expire on 31 July 2010 or at the conclusion of the annual general meeting in 2010, whichever is the earlier. This authority conforms with the revised guidance issued by the Association of British Insurers in December 2008.

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 such issue which exceeds 7.5% of the Company's issued share capital in any rolling three year period.

Resolution No. 13 will, if passed, renew the authority of the Company to purchase its own shares in the market up to a limit of ten percent 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. 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 ten percent anti-dilution limit set by the Association of British Insurers. However, the directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

At 31 January 2009 options to subscribe for 60,400 ordinary shares were outstanding. This represented 0.1% of the issued share capital at that date and would represent 0.1% of the issued ordinary share capital in the event that the authority to repurchase the Company's own shares which is still outstanding, and that sought for approval at the Annual General Meeting, were fully exercised.

Resolution No. 14 is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution No. 14 seeks such 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 Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

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 as adopted by the European Union. 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 that the financial statements comply with International Financial Reporting Standards as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985, 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.

Auditors and disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved:

- so far as the directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- the directors have taken the steps that they 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 are managed on a short term basis, using both fixed and floating rates, as the level of debt fluctuates due to the seasonality of cash flows. Core debt is not considered sufficient to warrant the use of long-term fixed rate borrowings or the use of interest rate swaps. The Group has not had, and does not anticipate having, large overdrafts or cash deposits.

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 and are renewed on an annual basis.

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).

Events after the balance sheet date

On 27 April 2009 the Group placed its wholly owned subsidiary, Epcoscan Limited, into administration. Full details are given in note 27.

Policy on payment of creditors

Payment terms are agreed individually with suppliers and are adhered to unless advantageous early settlement terms are offered. Any changes to this procedure will be agreed with suppliers and any disputes arising will be settled as soon as possible. At 31 January 2009 the value of trade creditors outstanding in the Group was equivalent to 28 days purchases (2008: 34 days). The Company had no trade creditors outstanding as at 31 January 2009 (2008: nil).

Charitable donations

Charitable donations of £416 were made during the year (2008: £135). Donations are made to both local and national charities in response to their requests.

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 A. Moulds, who was appointed as Chairman of the Trustees following the retirement of J. Beale on 31 January 2009, R.A.K.W. Piggott, and D.J.K. Wadham. The position of member nominated trustee is held by Mr Piggott.

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.

R.A.K.W. Piggott

Company Secretary

28 May 2009

For the 53 weeks ended 31 January 2009

Members of the Remuneration Committee

The Remuneration Committee was chaired by Mr J. Herbert until his retirement from the Board in October 2008. In November 2008 Mr A. Moulds and Mr P. Redhead were appointed to the committee, the latter as chairman. Mr J. Beale also served on the committee until his retirement from the Board in January 2009. The committee met on three occasions during the period under review. All members of the committee are independent non-executive directors.

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

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.

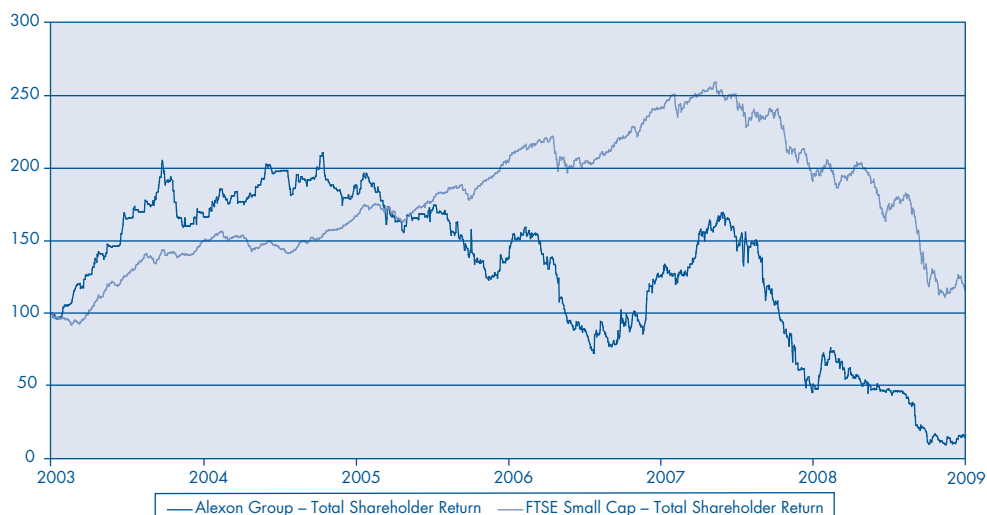
The remuneration package is reviewed annually by the Committee and consists of basic salary, benefits, share options, long-term incentive plan, performance related bonuses and pensions and is set at a level which is competitive in the context of individual experience, market conditions, and the Group's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

Directors' service contracts

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

	Contract Date	Unexpired Term	Notice Period	Contractual Termination Payments
J. McNally	14/04/2008	1 year	1 year	nil
A.H.A. Osborn	23/06/1993	n/a	n/a	nil
R.A.K.W. Piggott	15/02/1993	1 year	1 year	nil
R. Handover	01/03/2008	3 months	3 months	nil
J. Martin	01/11/2002	n/a	n/a	nil
P. Redhead	01/11/2008	3 months	3 months	nil
J. Herbert	01/01/2004	n/a	n/a	nil
A. Moulds	01/11/2008	3 months	3 months	nil
J. Beale	21/06/2005	n/a	n/a	nil

Total shareholder return



The graph on page 14 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.

Interest in shares

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

	Ordinary 12.5p shares	Ordinary 12.5p shares
	At 31 January 2009*	At 26 January 2008
J. Martin	16,000	16,000
A.H.A. Osborn	640,000	640,000
R.A.K.W. Piggott	89,200	56,933
J. McNally	-	-
R. Handover	-	-
J. Herbert	-	-
J. Beale	-	-
A. Moulds	-	-
P. Redhead	-	-

**or date of ceasing to be a director if earlier*

No other director held any ordinary shares at 31 January 2009 or date of ceasing to be a director if earlier.

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

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

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

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

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

Directors' detailed emoluments

The remuneration of the directors is as follows:

	Salaries and fees £	Bonus £	Car expenses £	Benefits £	Ex-gratia payment £	Total 2009 £	Total 2008 £
<i>Executive</i>							
A.H.A. Osborn	177,917	–	11,834	322	152,500	342,573	320,784
J. McNally	166,667	82,500	6,667	38,135	–	293,969	–
R.A.K.W. Piggott	196,667	20,000	15,229	1,076	–	232,972	196,058
<i>Non Executive</i>							
J. Martin	4,167	–	–	–	–	4,167	50,000
R.G. Handover	45,833	–	–	–	–	45,833	–
P.E. Cooper	–	–	–	–	–	–	8,000
P. Redhead	6,000	–	–	–	–	6,000	–
A. Moulds	6,000	–	–	–	–	6,000	–
J. Herbert	16,000	–	–	–	–	16,000	24,000
J. Beale	24,000	–	–	–	–	24,000	24,000
	<u>643,251</u>	<u>102,500</u>	<u>33,730</u>	<u>39,533</u>	<u>152,500</u>	<u>971,514</u>	<u>622,842</u>

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 2010 broadly similar to those for this period.

Mr A.H.A. Osborn received an ex-gratia payment of £152,500, being the equivalent of six months' salary, on his retirement from the Board in August 2008. The payment was approved by the remuneration committee and was paid in respect of his past service to the Company.

Benefits in kind relate to medical insurance premiums.

No director waived emoluments in respect of the period ended 31 January 2009.

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.

Share scheme

Executive share option scheme

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

Interest in share options

Details of options held by directors are set out below:

A.H.A. Osborn

Date of grant	At 26 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	At 31 January 2009	Exercise price	Earliest exercise date	Expiry date
April 1998	50,000	–	–	(50,000)	–	264.0p	2001	2008

R.A.K.W. Piggott

Date of grant	At 28 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	At 31 January 2009	Exercise price	Earliest exercise date	Expiry date
April 1998	25,000	–	–	(25,000)	–	264.0p	2001	2008

The market price of ordinary shares at 31 January 2009 was 15.25p and the range during the financial period was from 11.0p to 62.0p.

The options to subscribe for ordinary shares of the Company are exercisable under the rules of the 1995 executive share option scheme. The options are exercisable only if the Company has achieved a sustained and consistent reduction in loss or increase in profit over the vesting period.

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

Gains made by directors on long term incentive scheme and share options

None of the directors have exercised options or received shares under the long term incentive scheme during the period.

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 26 January 2008	Shares awarded	Shares lapsed	At 31 January 2009	Value vested £	Vesting date
A.H.A. Osborn	2008	12/04/05	298.5	100,000	–	(100,000)	–	–	12/04/08
	2009	04/04/06	258.0	110,000	–	(110,000)	–	–	04/04/09
	2010	26/04/07	234.7	100,000	–	(100,000)	–	–	26/04/10
R.A.K.W. Piggott	2008	12/04/05	298.5	55,000	–	(55,000)	–	–	12/04/08
	2009	04/04/06	258.0	65,000	–	–	65,000	–	04/04/09
	2010	26/04/07	234.7	70,000	–	–	70,000	–	26/04/10
	2011	15/04/08	84.6	–	150,000	–	150,000	–	15/04/11
	2011	03/11/08	12.9	–	233,000	–	233,000	–	03/11/11
J. McNally	2011	03/11/08	12.9	–	833,000	–	833,000	–	03/11/11

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

Average compound annual EPS growth above RPI	Percentage of award that vests
Less than 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 future awards, different performance conditions may be applied. The Association of British Insurers and key shareholders will be consulted in the event of different performance conditions applying to future awards. However, no performance conditions that are materially less demanding than those described above may be applied to future awards without prior shareholder approval.

The EPS figure for the 53 weeks to 31 January 2009, on which the performance condition for awards to be made will be based, has yet to be finalised.

Awards will lapse six months after they vest unless the Remuneration Committee determines otherwise. The maximum number of shares awarded under the scheme in each financial period is limited to the amount of the recipient's annual salary.

Directors' pension entitlements

The accrued pension entitlements of the directors are as follows:

	Increase in accrued pension benefits earned in the period £	Increase in accrued pension benefits earned in the period excluding inflation £	Transfer value of increase in accrued pension benefits less director's contributions £	Accrued pension entitlement at 31 January 2009* £	Transfer value at 31 January 2009* £	Transfer value at 26 January 2008 £	Increase in transfer value less director's contributions £
A.H.A. Osborn	–	–	–	23,380	498,231	461,802	36,429
R.A.K.W. Piggott	8,871	8,760	140,251	86,371	1,421,860	1,111,964	305,938

**or date of ceasing to be a director if earlier*

The accrued pension entitlement shown is that which would be paid annually on retirement at age 60 and is based on pensionable service to 31 January 2009 or the date of ceasing to be a director if earlier. The increase in the accrued entitlement is the difference between the accrued benefit at the period end and that at the previous period end. All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued pension entitlement represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the director's pension benefits. They do not represent sums payable to individual directors and, therefore, cannot be added meaningfully to annual remuneration. Whilst members of the scheme have the option to pay additional voluntary contributions, no such contributions have been made by the directors.

Mr A. Osborn retired in the period and is now in receipt of his pension.

Directors also participate in a defined contribution plan as follows:

	Company contributions 53 weeks to 31 January 2009 £	Company contributions 52 weeks to 26 January 2008 £
J. McNally	33,333	–

P. Redhead

Chairman of the Remuneration Committee

The 1998 Combined Code on Corporate Governance ("the Code"), issued by the London Stock Exchange, was revised in July 2003 and further revised in June 2006.

The following statements address the principles of the Code and provide an explanation of the Group's application of, and compliance with, the provisions of Section 1 of the Code.

The Board of Directors

The Group is led and controlled by an experienced Board as set out on pages 7 and 8. The Board currently comprises of the non-executive Chairman, the Chief Executive, the Group Finance Director and two other non-executive directors.

Mr J. Martin served as non-executive Chairman until his retirement from the Board on 1 March 2008. Mr R. Handover was appointed to the position of non-executive Chairman on 1 March 2008. Mr J. Herbert served as non-executive director until his retirement on 9 October 2008. Mr J. Beale served as non-executive director until his retirement from the board on 31 January 2009. Mr P. Redhead and Mr A. Moulds were appointed non-executive directors on 1 November 2008. None of the non-executive directors have any links with the Group and are considered independent. 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. Non-executive directors not considered independent under the Code are offered for re-election every year.

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

The Board meets at least six times each year and gives full consideration to strategic and operational issues. It has a schedule of matters set aside for its direction 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 to 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 twenty working days before the Annual General Meeting.

Accountability and Audit

Financial reporting

A review of the performance of the Group is contained within the Chairman's Statement and the Operating and Financial Review.

Internal Control

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

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

- a clear, decentralised organisation structure with well defined lines of responsibility with, at it's top tier, the Board and executive directors;
- a detailed procedure for regular review and reporting of risks by operating companies to executive directors and, via them, to the Board;
- an Internal Control Committee, including an executive director, which monitors Group risk management processes and reports to the Board;
- a comprehensive reporting system operated by each division;
- key tasks are performed and reviewed by experienced and suitably qualified senior managers within the Group;
- a formal annual budgetary process, which includes regular review with senior management, followed by board approval, documents the short and medium term plans of the Group. Monthly management accounts, prepared in accordance with strict timetables, monitor the actual performance against the annual budget and highlight significant variances and the reasons for their occurrence. Forecasts of current and future year performance are regularly updated and reviewed;
- all capital investment proposals are authorised at board level prior to their commencement.

The directors are responsible for establishing and maintaining the Group's systems of internal financial control 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.

Internal audit function

The Group has an internal audit function which focuses 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. No head office internal audit function exists as a combination of experienced and long serving senior management within the finance function, coupled with effective systems of management and control, ensure that the process of risk assessment and internal control evaluation are carried out effectively.

The Group has complied with the guidance on internal control systems issued by the Turnbull Report in 2005.

Auditors' independence

PricewaterhouseCoopers LLP, the Company's auditors, have confirmed in writing to the Company that they are independent of the Group. In addition, all non-audit expenditure in excess of £5,000 is authorised by the Audit Committee prior to commitment.

Audit Committee

The Audit Committee was chaired by Mr J. Beale until his retirement on 31 January 2009. Mr J. Herbert served on the committee until his retirement on 9 October 2008. Mr P. Redhead and Mr A. Moulds were appointed to the committee on 18 November 2008, the latter becoming Chairman following the retirement of Mr J. Beale.

The work undertaken by the Audit Committee during the period comprised:

- a review of the effectiveness and independence of the Group's statutory auditor;
- a review of the internal control and risk management systems;
- consideration and approval of non-audit services provided by the Groups' statutory auditor;
- approval of the engagement letter of the statutory auditor;
- a review of the annual report and accounts and preliminary and interim results;
- receiving the reports of the Group's statutory auditor and meeting with them to discuss the issues arising.

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

Nominations Committee

The Nominations Committee is responsible for the process of appointing new directors to the Board and for their re-election. The Committee was chaired by Mr J. Martin until his retirement on 1 March 2008 and subsequently by Mr J. Herbert until his retirement on 9 October 2008. The Committee has since been chaired by Mr R. Handover. The other non-executive directors serving on the committee were Mr J. Beale until his retirement on 31 January 2009, and Mr A. Moulds and Mr P. Redhead who were appointed to the committee on 18 November 2008.

During the period the Committee considered the proposed re-election of directors at the Annual General Meeting and oversaw the appointment of the new Chairman, Chief Executive Officer and non-executive directors.

Members' attendance during the 53 weeks to 31 January 2009

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	7	4	3	3
<i>Executive directors</i>				
J. McNally	4	n/a	n/a	n/a
A.H.A. Osborn	3	n/a	n/a	n/a
R.A.K.W. Piggott	6	n/a	n/a	n/a
<i>Non-executive directors</i>				
J. Martin	–	–	n/a	n/a
R. Handover	7	–	n/a	n/a
P. Redhead	2	–	–	1
J. Herbert	4	4	3	2
A. Moulds	2	–	–	1
J. Beale	7	4	3	3

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

As explained in note 1 to the financial statements, Epcoscan Limited, which operated Bay Trading, was placed into administration on 27 April 2009. Consequently the Group has not continued as a going concern in the form that existed at 31 January 2009. However, after making enquiries, the directors are satisfied that the Company and the continuing Group without Epcoscan Limited have adequate resources to continue in operational existence for the foreseeable future. On this basis they continue to adopt the going concern basis in preparing the financial statements.

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, with the exception of the following:

- the senior independent director has not met with any of the major shareholders during the period.

Independent Auditors' report to the members of Alexon Group plc

We have audited the group and parent company financial statements (the "financial statements") of Alexon Group Plc for the 53 week period ended 31 January 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Cash Flows, the Group and Company Statements of Recognised Income and Expense, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review, the Corporate Governance Statement, the Directors and Advisors and the Five Year Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 January 2009 and of its loss and cash flows for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 January 2009 and of its cash flows for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – post balance sheet event

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of, and draw attention to, the disclosures made in Notes 1 and 27 to the financial statements concerning the placing into administration, subsequent to the year end, of the group's material subsidiary undertaking, Epcoscan Limited, which operated the Bay Trading business. Note 1 explains the circumstances associated with Epcoscan Limited being placed into administration. Note 27 sets out the amounts included in the group's consolidated financial statements for the period ended 31 January 2009 in respect of Epcoscan Limited and the impact on the financial position of the continuing group of this company being placed into administration.

PricewaterhouseCoopers LLP

Chartered Accountants
and Registered Auditors
St Albans

28 May 2009

	Note	2009 (53 weeks)			2008 (52 weeks)		
		Pre-exceptional items £000	Exceptional items (see note 2) £000	Total £000	Pre-exceptional items £000	Exceptional items (see note 2) £000	Total £000
<i>For the 53 weeks to 31 January 2009</i>							
Revenue – continuing operations	3	250,292	-	250,292	262,139	-	262,139
Cost of sales		(226,659)	(18,320)	(244,979)	(227,528)	(4,411)	(231,939)
Gross profit/(loss) – continuing operations		23,633	(18,320)	5,313	34,611	(4,411)	30,200
Administrative expenses		(8,548)	(12,919)	(21,467)	(7,977)	-	(7,977)
Distribution costs		(11,975)	-	(11,975)	(11,676)	-	(11,676)
Operating profit/(loss) – continuing operations	3	3,110	(31,239)	(28,129)	14,958	(4,411)	10,547
Finance income	6	521	-	521	1,535	-	1,535
Finance expense	6	(110)	-	(110)	(87)	-	(87)
Profit/(loss) before taxation		3,521	(31,239)	(27,718)	16,406	(4,411)	11,995
Income tax (expense)/credit	7	(1,623)	711	(912)	(5,676)	124	(5,552)
Profit/(loss) for the financial period from continuing operations attributable to equity holders of the company		1,898	(30,528)	(28,630)	10,730	(4,287)	6,443
Profit/(loss) from discontinued operations	2b	-	514	514	-	(18,659)	(18,659)
Profit/(loss) for the financial period attributable to equity holders of the company		1,898	(30,014)	(28,116)	10,730	(22,946)	(12,216)
(Losses)/earnings per share from continuing operations attributable to equity holders of the company during the period							
Basic and diluted	9			(64.07)p			11.84p
Earnings/(losses) per share from discontinued operations attributable to equity holders of the company during the period							
Basic	9			1.15p			(34.29)p
Losses per share from total operations attributable to equity holders of the company during the period							
Basic	9			(62.92)p			(22.45)p

The notes on pages 31 to 65 form part of these financial statements.

**STATEMENT OF
RECOGNISED
INCOME AND
EXPENSE**

ALEXON GROUP PLC

	Group		Company	
	2009	2008	2009	2008
<i>For the 53 weeks to 31 January 2009</i>	53 weeks	52 weeks	53 weeks	52 weeks
	£000	£000	£000	£000
Actuarial (loss)/gain arising in defined benefit pension scheme	(3,483)	816	29	(116)
Tax on items taken directly to equity	(510)	(701)	(8)	35
Gain on cash flow hedges	5,305	1,363	-	-
Net income/(expense) recognised directly in equity	1,312	1,478	21	(81)
Loss for the financial period	(28,116)	(12,216)	(38,088)	(30,591)
Total recognised expense for the financial period attributable to equity holders of the Company	(26,804)	(10,738)	(38,067)	(30,672)

The notes on pages 31 to 65 form part of these financial statements.

<i>As at 31 January 2009</i>	Note	2009		2008	
		£000	£000	£000	£000
Non-current assets					
Goodwill	11	-		11,867	
Property, plant and equipment	12	6,298		7,419	
Deferred tax	7	679		1,344	
Pension assets	25	-		235	
			6,977		20,865
Current assets					
Inventory	14	29,856		33,323	
Trade and other receivables	15	17,705		20,563	
Derivative financial instruments	18	4,809		441	
Current tax recoverable	15	581		2,245	
Cash and cash equivalents		5,284		4,502	
			58,235		61,074
Assets classified as held for sale			-		7,914
Current liabilities					
Trade and other payables	16		(30,311)		(33,863)
Liabilities classified as held for sale			-		(7,914)
Net current assets			27,924		27,211
Non-current liabilities					
Long term provisions	19	(25,712)		(11,478)	
Accruals and deferred income	17	(444)		(853)	
Pension liabilities	17	(4,137)		(1,082)	
Total non-current liabilities			(30,293)		(13,413)
Net assets			4,608		34,663
Equity attributable to equity holders of the Company					
Share capital	22		5,689		10,902
Share premium	23		22,066		22,189
Capital redemption reserve	23		20,215		15,002
Cash flow hedge reserve	23		5,515		210
Retained earnings	23		(48,877)		(13,640)
Total equity			4,608		34,663

The notes on pages 31 to 65 form part of these financial statements.

**COMPANY
BALANCE
SHEET**

ALEXON GROUP PLC

As at 31 January 2009	Note	2009		2008	
		£000	£000	£000	£000
Non-current assets					
Property, plant and equipment	12	2,315		2,369	
Investment in subsidiaries	13	36,700		75,000	
Pension assets	25	-		235	
			39,015		77,604
Current assets					
Trade and other receivables	15	15,569		36,887	
Current tax recoverable	15	-		2,332	
Cash and cash equivalents		40		41	
			15,609		39,260
Current liabilities					
Trade and other payables	16	(29,000)		(56,013)	
Short term borrowings	16	(10,961)		(4,197)	
Current tax payable	15	(262)		-	
			(40,223)		(60,210)
Net current liabilities					
			(24,614)		(20,950)
Non-current liabilities					
Long term provisions	17	-		(868)	
Deferred tax	7	-		(67)	
Total non-current liabilities					
			-		(935)
Net assets					
			14,401		55,719
Equity attributable to equity holders of the Company					
Share capital	22	5,689		10,902	
Share premium	23	22,066		22,189	
Capital redemption reserve	23	20,215		15,002	
Retained earnings	23	(33,569)		7,626	
Total equity					
			14,401		55,719

The financial statements were approved at a meeting of the directors on 28 May 2009.

R. Handover

R.A.K.W. Piggott

Directors

The notes on pages 31 to 65 form part of these financial statements.

<i>For the 53 weeks to 31 January 2009</i>		2009 53 weeks	2008 52 weeks
	Note	£000	£000
Cash flows from operating activities			
Cash generated from continuing operations	24	7,126	19,265
Interest received (continuing operations)		509	850
Interest paid (continuing operations)		(81)	(109)
Tax received/(paid) (continuing operations)		907	(3,205)
Cash used in discontinued operations	24	(1,400)	(825)
Net cash generated from operating activities		7,061	15,976
Investing activities			
Costs associated with the disposal of subsidiary undertaking		(1,601)	-
Purchase of property, plant and equipment (continuing operations)		(2,428)	(2,081)
Purchase of property, plant and equipment (discontinued operations)		-	(229)
(Costs)/proceeds from disposals of property, plant and equipment (continuing operations)		(14)	136
Proceeds from disposals of property, plant and equipment (discontinued operations)		-	224
Net cash used in investing activities		(4,043)	(1,950)
Financing activities			
(Costs)/proceeds from the issue of shares	23	(123)	9
Purchase of own shares	23	-	(11,994)
Dividends paid to holders of redeemable preference shares	8	-	(5,196)
Dividends paid to Company's shareholders	8	(3,128)	(5,054)
Net cash used in financing activities		(3,251)	(22,235)
Net decrease in cash and cash equivalents		(233)	(8,209)
Cash and cash equivalents at the beginning of the period		5,517	13,726
Cash and cash equivalents at the end of the period		5,284	5,517
Included in cash and cash equivalents on the balance sheet		5,284	4,502
Included in assets held for sale		-	1,015
		5,284	5,517

The notes on pages 31 to 65 form part of these financial statements.

**COMPANY
STATEMENT OF
CASH FLOWS**

ALEXON GROUP PLC

<i>For the 53 weeks to 31 January 2009</i>		2009 53 weeks		2008 52 weeks	
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Cash (used in)/generated from operations	24	(2,528)		2,537	
Interest received		53		23	
Interest paid		(13)		(22)	
Tax paid		(1,026)		(3,020)	
Net cash used in operating activities			(3,514)		(482)
Investing activities					
Dividends received			-		16,643
Financing activities					
(Costs)/proceeds from the issue of shares	23	(123)		9	
Purchase of own shares	23	-		(11,994)	
Dividends paid to holders of redeemable preference shares	8	-		(5,196)	
Dividends paid to Company's shareholders	8	(3,128)		(5,054)	
Net cash used in financing activities			(3,251)		(22,235)
Net decrease in cash and cash equivalents			(6,765)		(6,074)
Cash and cash equivalents at the beginning of the period			(4,156)		1,918
Cash and cash equivalents at the end of the period			(10,921)		(4,156)
Cash and cash equivalents			40		41
Short term borrowings			(10,961)		(4,197)
			(10,921)		(4,156)

The notes on pages 31 to 65 form part of these financial statements.

Basis of preparation

The basis of preparation is described in note 1 to the financial statements on page 38.

Standards, amendments and interpretations effective in 2008

IFRIC 11, 'IFRS 2 – Group and treasury share transactions' This interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share based transactions in the stand-alone financial statements of the parent and group companies.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' This interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

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

Standards, amendments and interpretations effective in 2008 but not relevant

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 2008 but they are not relevant to the Group's operations:

- IFRIC 12, 'Service concession arrangements';
- IFRIC 13, 'Customer loyalty programmes'

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 2009 or later periods, but the Group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009). The amendment to the standard is still subject to endorsement by the EU. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply this standard from 1 January 2009, subject to endorsement by the EU, but it is not expected to have any impact on the Group's financial statements;
- IFRS 8, 'Operating segments' (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 February 2009. The expected impact is still being assessed in detail by management;
- IAS 1 (Revised), 'Presentation of financial statements', effective for accounting periods beginning on or after 1 January 2009. The standard is still subject to endorsement by the EU. The revised standard will prohibit the presentation of items of income and expenses (non owner changes in equity) in the statement of changes in equity, requiring 'non owner changes in equity' to be presented separately from owner changes in equity. The Group will apply this standard from 1 January 2009, subject to endorsement by the EU, but it is not expected to have any impact on the Group's financial statements;

- IAS 32 (Amendment), 'Financial instruments: Presentation' and IAS 1, 'Presentation of financial statements – Puttable Instruments and Instruments with Obligations Arising on Liquidation', effective for accounting periods beginning on or after 1 January 2009. The standard is still subject to endorsement by the EU. It requires entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party on a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply this standard from 1 January 2009, subject to endorsement by the EU, but it is not expected to have any impact on the Group's financial statements;
- IFRS 2 (Amendment), 'Share based payments', effective for accounting periods beginning on or after 1 January 2009. The standard is still subject to endorsement by the EU. It deals with vesting conditions and cancellations. The Group will apply this standard from 1 January 2009, subject to endorsement by the EU, but it is not expected to have any impact on the Group's financial statements;
- IFRS 3 (revised), 'Business Combinations', effective for accounting periods beginning on or after 1 July 2010. The standard is still subject to endorsement by the EU. The revised standard continues to apply the acquisition method to business combinations with some significant changes. The Group will apply this standard from 1 January 2009, subject to endorsement by the EU, but it is not expected to have any impact on the Group's financial statements.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but is not relevant to the Group's operations:

- IFRIC 15, 'Agreements for the construction of real estate';
- IFRIC 16, 'Hedges of a net investment in a foreign entity';
- IFRS 1 (Amendment), 'First time adoptions of IFRS and IAS 27', 'Consolidated and separate financial statements';
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendments to IAS 7, 'Statement of cash flows');
- IAS 27 (Amendment), 'Consolidated and separate financial statements';
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments disclosures');
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies';
- IAS 31 (Amendment), 'Interests in joint ventures', (and consequential amendments to IAS 32 and IFRS 7);
- IAS 40 (Amendment), 'Investment property', (and consequential amendments to IAS 16);
- IAS 41 (Amendment), 'Agriculture';
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'.

Standards, amendments and interpretations not yet effective and under review as to their impact on the Group:

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations', effective for accounting periods beginning on or after 1 July 2009;
- IAS 36 (Amendment), 'Impairment of assets', effective for accounting periods beginning on or after 1 January 2009;
- IAS 38 (Amendment), 'Intangible assets', effective for accounting periods beginning on or after 1 January 2009;

- IAS 19 (Amendment), 'Employee benefits', effective for accounting periods beginning on or after 1 January 2009;
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement', effective for accounting periods beginning on or after 1 July 2009.

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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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. Goodwill was previously amortised over a period of twenty years and the carrying value at the date of transition to IFRS, 1 February 2004, was the cost less amounts amortised up to that date.

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 associated 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 includes 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 currency 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.

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.
Short leasehold property	–	over term of lease
Vehicles	–	20% to 25% p.a.
Plant and machinery	–	10% to 25% p.a.
Fixtures and fittings	–	10% to 25% p.a.

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 to the extent that it is probable that future taxable profit 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. Differences between the actual and expected returns on assets during the period are recognised in the statement of recognised income and expenses. 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 estimate 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:

- Impairment of goodwill, property, plant and equipment – notes 11 and 12;
- Impairment of investment in subsidiary undertakings – note 13;
- Estimation of liabilities for onerous property leases – note 19;

- Estimation of selling price less associated cost to sell inventory which is valued at lower than cost – note 14; and
- Estimation of liabilities for pension costs – note 25.

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 and non-voting deferred 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 twelve months after the balance sheet date.

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, 1985 applicable to companies reporting under IFRS.

On 24 April 2009 the Company withdrew financial support from its wholly owned subsidiary undertaking, Epcoscan Limited ("Epcoscan"), which operated the Bay Trading business, in response to being notified that credit insurance was being withdrawn from all the Group's suppliers. Epcoscan was subsequently placed into administration on 27 April 2009, with Deloitte LLP appointed as administrators. The Company ceased to control Epcoscan from that date. In accordance with IAS 10, this has been treated as a non-adjusting post balance sheet event. The amounts included in these consolidated financial statements for the period ended 31 January 2009 in respect of Epcoscan and the estimated gain arising as a result of this company being placed into administration, which will be recorded in the consolidated financial statements for the period ending 30 January 2010, are set out in Note 27 to the financial statements.

Because Epcoscan has been unable to meet its debts as they fell due, the Group in the form that existed at the balance sheet date of 31 January 2009 has not continued as a going concern. However, the placing of Epcoscan into administration removes a loss making operation, which significantly improves the forecast cash position of the continuing group and reduces the level of risk in respect of future cash flows. The Group is left with the Alexon Brands business which has been, and continues to be, profitable and cash generative.

In light of the difficult UK retail environment, the withdrawal of credit insurance from the Group's suppliers and the administration of Epcoscan, the directors have carefully considered the working capital requirements of the Group for a period exceeding one year from the date these financial statements are approved.

The Company has recently secured a multi-option overdraft and letter of credit facility of £12 million from Barclays Bank plc which has a renewal date in May 2010. These facilities are secured by way of a floating charge over the assets of the Group. Although this facility is repayable on demand by the bank, the Company has received confirmation from the bank, subsequent to the withdrawal of credit insurance and the administration of Epcoscan, that it does not expect to withdraw this facility in the foreseeable future.

The Alexon Brands business has been, and continues to be, profitable and cash generative. The directors have prepared a detailed forecast of future cash flows, which has been updated to reflect recent trading, the latest expected trends in like-for-like sales and the impact of the withdrawal of credit insurance from suppliers. These projections demonstrate that the continuing group (excluding Epcoscan) is able to operate within its banking facilities for the foreseeable future. Consequently, the directors have prepared the Group and Company financial statements on a going concern basis.

2 Exceptional items

2a Continuing operations

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

	2009	2008
	53 weeks	52 weeks
	£000	£000
Impairment of goodwill (see note 11)	11,867	–
Impairment of property, plant and equipment (see note 12)	1,265	515
Provision for onerous lease commitments (see note 19)	17,055	3,153
Occupancy costs relating to ex-Dolcis stores	–	743
Management restructure	1,052	–
	31,239	4,411

The impairment of goodwill arises from the annual impairment test and reflects the difference between the value-in-use of the cash generating unit and its carrying value. The impairment relates entirely to Bay Trading. Further details are provided in note 11.

2 Exceptional items (continued)

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 is calculated as the lower of the estimated cost of exiting the lease and the cumulative losses expected to be incurred over the remainder of the lease term, unless it is considered highly unlikely that the lease could be terminated for a one-off payment in which case the provision is based on estimated future losses.

Costs incurred in relation to the management restructure relate to the retirement and replacement of the Chief Executive Officer and a subsequent senior management reorganisation.

2b Discontinued operations

As at 26 January 2008 the companies comprising the Menswear business segment ('Style') were classified as held for sale. The disposal was subsequently completed on 5 February 2008. The total consideration for the sale amounted to £1.

During the period the Group was able to terminate its liability in respect of a number of leases traded by Style Menswear which it had expected would revert to the Group. This liability had been fully provided in 2008 and results in a gain of £1.1 million in 2009 on releasing this provision. This gain has been partially offset by disposal costs of £586,000 resulting in a net profit from discontinued operations of £514,000.

3 Segment information**Primary reporting format – business segments**

The Group manages its business activities via two continuing business segments, Alexon Brands and Bay Trading. Each business segment has its own executive committee responsible for managing day to day operations through its trading outlets. All revenue is readily identifiable for each segment, as are the majority of costs. Where certain central functions are shared across all segments these costs have been allocated on a reasonable basis.

There are no sales between business segments.

Segment results for the 53 weeks to 31 January 2009 are as follows:

	Alexon Brands £000	Bay Trading £000	Total £000
Segment turnover	<u>177,593</u>	<u>72,699</u>	<u>250,292</u>
Operating profit/(loss) before exceptional items	<u>10,106</u>	<u>(7,236)</u>	<u>2,870</u>
Exceptional items (see note 2a)	<u>(8,515)</u>	<u>(22,724)</u>	<u>(31,239)</u>
Segment result	<u>1,591</u>	<u>(29,960)</u>	<u>(28,369)</u>
Unallocated income			<u>240</u>
Operating loss – continuing operations			<u>(28,129)</u>
Finance income			<u>521</u>
Finance expense			<u>(110)</u>
Loss before taxation			<u>(27,718)</u>
Income tax expense – continuing operations			<u>(912)</u>
Loss for the period from continuing operations			<u>(28,630)</u>
Profit from discontinued operations			<u>514</u>
Loss for the period attributable to equity holders of the company			<u>(28,116)</u>

3 Segment information (continued)

Segment results for the 52 weeks to 31 January 2008 are as follows:

	Alexon Brands £000	Bay Trading £000	Total £000
Segment turnover	181,743	80,396	262,139
Operating profit before exceptional items	14,021	1,072	15,093
Exceptional items (see note 2a)	(3,191)	(1,220)	(4,411)
Segment result	10,830	(148)	10,682
Unallocated costs			(135)
Operating profit – continuing operations			10,547
Finance income			1,535
Finance expense			(87)
Profit before taxation			11,995
Income tax expense – continuing operations			(5,552)
Profit for the period from continuing operations			6,443
Loss from discontinued operations			(19,994)
Tax on discontinued operations			1,335
Loss for the period attributable to equity holders of the company			(12,216)

Other segment information for the 53 weeks to 31 January 2009 is as follows:

	Alexon Brands £000	Bay Trading £000	Discontinued operations £000	Total £000
Capital expenditure	1,420	1,008	–	2,428
Depreciation	1,196	845	–	2,041
Impairment of goodwill	–	11,867	–	11,867
Impairment of property, plant and equipment	506	759	–	1,265

Other segment information for the 52 weeks to 26 January 2008 is as follows:

	Alexon Brands £000	Bay Trading £000	Discontinued operations £000	Total £000
Capital expenditure	1,033	1,048	229	2,310
Depreciation	1,222	841	928	2,991
Impairment of goodwill	–	–	5,836	5,836
Impairment of property, plant and equipment	215	300	2,144	2,659

3 Segment information (continued)

Segment assets as at 31 January 2009:

	Alexon Brands £000	Bay Trading £000	Total £000
Segment assets	51,916	16,847	68,763
Unallocated assets			(3,551)
Total assets			<u>65,212</u>

Segment assets as at 26 January 2008:

	Alexon Brands £000	Bay Trading £000	Total £000
Segment assets	55,026	24,756	79,782
Unallocated assets			2,157
Total assets			<u>81,939</u>

Segment liabilities as at 31 January 2009:

	Alexon Brands £000	Bay Trading £000	Total £000
Segment liabilities	(38,085)	(22,310)	(60,395)
Unallocated liabilities			(209)
Total liabilities			<u>(60,604)</u>

Segment liabilities as at 26 January 2008:

	Alexon Brands £000	Bay Trading £000	Total £000
Segment liabilities	(28,586)	(13,766)	(42,352)
Unallocated liabilities			(4,924)
Total liabilities			<u>(47,276)</u>

Segment assets include goodwill, property, plant and equipment, pension assets, inventories, trade and other receivables, and cash balances. They exclude deferred tax assets and corporate assets. Segment liabilities include trade and other payables, short-term borrowings, long-term provisions, pension liabilities, accruals and deferred income, and exclude taxation and corporate liabilities.

Unallocated assets contains the Company overdraft of £10,961,000. This overdraft can be offset against cash balances held in the name of other group companies, under the terms of the Group's banking arrangements, and which are included within segment assets.

Capital expenditure comprises additions to property, plant and equipment.

Secondary reporting format – geographic segments

The financial operation and assets of the Group are principally located in the United Kingdom. Accordingly no segment analysis by geographical segments is provided.

	Continuing operations £000	53 weeks to 31 January 2009 Discontinued operations £000	Total £000
4 Profit before taxation			
The following items have been included in arriving at operating loss and the loss from discontinued operations:			
Depreciation	2,041	-	2,041
Impairment of property, plant and equipment	1,265	-	1,265
Impairment of goodwill	11,867	-	11,867
Loss on disposal of property, plant and equipment	257	-	257
Hire of plant and machinery	175	-	175
Operating lease rentals – land and buildings	25,313	-	25,313
	Continuing operations £000	52 weeks to 26 January 2008 Discontinued operations £000	Total £000
Depreciation	2,063	928	2,991
Impairment of property, plant and equipment	515	2,144	2,659
Impairment of goodwill	-	5,836	5,836
Loss/(profit) on disposal of property, plant and equipment	55	(220)	(165)
Hire of plant and machinery	232	-	232
Operating lease rentals – land and buildings	23,990	10,174	34,164
– other	-	56	56
5 Auditor remuneration		2009	2008
		53 weeks	52 weeks
		£000	£000
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements		119	130
Fees payable to the Company's auditor for other services:			
– The audit of the Company's subsidiaries		20	20
– Tax services		23	53
– Other services		58	87
		220	290
Fees in respect of the Alexon Group Amalgamated Pension Scheme:			
– Actuarial services		96	31
		2009	2008
		53 weeks	52 weeks
		£000	£000
6 Finance income			
Interest income		509	850
Interest income on pension scheme assets		12	685
		521	1,535
Finance expense			
Interest payable on bank borrowings		73	87
Interest expense on pension scheme assets		37	-
		110	87

		2009 53 weeks £000	2008 52 weeks £000
7	Taxation		
The taxation charge for the period comprises:			
<i>Current tax</i>	Continuing operations: – current period	343	4,546
	– adjustment in respect of previous periods	414	862
	Discontinued operations: – current period	–	(1,269)
	Total current tax	757	4,139
<i>Deferred tax</i>	Continuing operations	155	144
	Discontinued operations	–	(66)
	Total deferred tax	155	78
<i>Total taxation</i>	Continuing operations	912	5,552
	Discontinued operations	–	(1,335)
		912	4,217
Tax on items charged to equity:			
	Deferred tax charge on hedging instruments	(1,485)	(409)
	Deferred tax credit/(charge) on pensions	975	(292)
		(510)	(701)
The tax for the period is higher (2008: higher) than the standard rate of corporation tax in the UK (28%). The differences are explained below:			
	(Loss)/profit on ordinary activities before taxation	(27,718)	11,995
	(Loss)/profit on ordinary activities multiplied by the standard rate of UK corporation tax of 28.33% (2008: 30%)	(7,853)	3,599
Effects of:			
	Expenses not deductible for tax purposes: goodwill impairment	3,362	–
	non-qualifying depreciation	244	67
	loss on disposal of non-qualifying assets	29	–
	other disallowables	2,448	1,042
	unrelieved foreign tax	343	–
	unrelieved trading losses arising in the period	2,372	–
	Adjustments in respect of previous periods	(33)	844
	Total tax charge from continuing operations for the period	912	5,552

7 Taxation (continued)

Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28%. The movement on the deferred tax account is shown below:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Asset/(liability) at the beginning of the period	1,344	2,482	(67)	(96)
Income statement (charge)/credit	(155)	(78)	75	(6)
<i>Tax on items taken to equity:</i>				
Hedging instruments	(1,485)	(409)	-	-
Pensions	975	(292)	(8)	35
Transferred to assets held for sale	-	(359)	-	-
Asset/(liability) at the end of the period	679	1,344	-	(67)

Deferred tax assets have been recognised in respect of those temporary differences which are expected to reverse in the future. 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 probable that future taxable profits will arise against which these losses can be offset.

	Group		Company	
	As at 31 January 2009 £000	As at 26 January 2008 £000	As at 31 January 2009 £000	As at 26 January 2008 £000
Factors that may affect future charges				
Deferred tax assets not recognised represent:				
Unrelieved trading losses	1,793	-	-	-
Unrelieved foreign tax	374	-	-	-
Other temporary differences	595	-	37	-
Capital losses less rolled over gains	2,418	2,457	2,338	2,374
	5,180	2,457	2,375	2,374

There is no expiry date for the use of these losses. They may be carried forward indefinitely. The unrelieved losses are in respect of Epcoscan Limited and these have been lost to the group due to the administration of this company subsequent to the year end (see note 27).

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

	Accelerated tax depreciation £000	Pensions £000	Lease incentives £000	Other short-term timing differences £000	Total £000
Deferred tax assets					
At 26 January 2008	421	540	193	190	1,344
Credited/(charged) to the income statement	8	(85)	(69)	(9)	(155)
Credited/(charged) to equity	-	975	-	(1,485)	(510)
At 31 January 2009	429	1,430	124	(1,304)	679

7 Taxation (continued)

	2009 £000	2008 £000
Deferred tax asset to be recovered after more than 12 months	1,844	880
Deferred tax (liability)/asset to be (realised)/recovered within 12 months	(1,165)	464
	679	1,344

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

	2009 £000	2008 £000
Pensions	975	(292)
Hedging instruments	(1,485)	(409)
	(510)	(701)

8 Dividends

	2009 53 weeks £000	2008 52 weeks £000
Final dividend in respect of 2008 of 6.00p (2007: 6.00p) per share	2,681	3,369
Interim dividend in respect of 2009 of 1.00p (2008: 3.00p) per share	447	1,685
Special dividend of 30p per share in respect of non-cumulative redeemable preference shares	-	5,196
	3,128	10,250

The Company has decided not to declare a final ordinary dividend for the 53 weeks ended 31 January 2009.

9 Earnings per share**Continuing operations**

The calculation of basic earnings per ordinary share is based on losses from continuing operations of **£28,630,000** (2008: profit of £6,443,000) and on **44,686,680** ordinary shares (2008: 54,422,451) 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 dilutive share options granted to directors and key employees.

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

	2009			2008		
	Losses £	Weighted average number of shares	Per share pence	Earnings £	Weighted average number of shares	Per share pence
Basic (losses)/earnings	(28,630,000)	44,686,680	(64.07)	6,443,000	54,422,451	11.84
Effect of dilutive securities: options	-	-	-	-	2,716	-
Diluted (losses)/earnings	(28,630,000)	44,686,680	(64.07)	6,443,000	54,425,167	11.84

9 Earnings per share (continued)

Discontinued operations

The calculation of basic earnings per ordinary share is based on profits from discontinued operations of **£514,000** (2008: losses of £18,659,000) and on **44,686,680** ordinary shares (2008: 54,422,451) being the weighted average number of ordinary shares in issue.

	2009			2008		
	Earnings £	Weighted average number of shares	Per share pence	Losses £	Weighted average number of shares	Per share pence
Basic earnings/(losses)	514,000	44,686,680	1.15	(18,659,000)	54,422,451	(34.29)

Total operations

The calculation of basic earnings per ordinary share is based on losses from total operations of **£28,116,000** (2008: £12,216,000) and on **44,686,680** ordinary shares (2008: 54,422,451) being the weighted average number of ordinary shares in issue.

	2009			2008		
	Losses £	Weighted average number of shares	Per share pence	Losses £	Weighted average number of shares	Per share pence
Basic losses	(28,116,000)	44,686,680	(62.92)	(12,216,000)	54,422,451	(22.45)

10 Employees

The total average monthly number of employees including part-time staff during the period was as follows:

	2009 Number	2008 Number
Production	205	214
Retail and distribution	5,448	6,188
Administration	98	163
	5,751	6,565

Staff costs during the period amounted to:

	£000	£000
Wages and salaries	48,428	53,517
Social security costs	2,929	3,632
Pension costs – defined benefit plans	456	612
– defined contribution plans	103	49
	51,916	57,810

Staff costs including pension costs, incurred by the Company amounted to £639,000 (2008: £427,000).

10 Employees (continued)

	2009 53 weeks £000	2008 52 weeks £000
Key management compensation		
Salaries and short term employee benefits	1,797	1,569
Post-employment benefits	255	358
	<u>2,052</u>	<u>1,927</u>

The key management figures above include the directors.

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 14 to 18.

Pension costs comprise the charge to the income statement relating to the defined benefit pension scheme ('the Scheme') of £456,000 (see note 25), contributions made to the group personal pension plan of £70,000, and contributions to a personal pension plan in respect of Mrs J. McNally of £33,000.

11 Goodwill

	£000
Group	
Cost	
At 27 January 2007	33,748
Transferred to assets held for sale	(21,881)
At 26 January 2008 and 31 January 2009	<u>11,867</u>
Impairment	
At 27 January 2007	16,045
Transferred to assets held for sale	(16,045)
At 26 January 2008	-
Charged to the income statement in the period (see note 2a)	11,867
At 31 January 2009	<u>11,867</u>
Net book value	
At 31 January 2009	-
At 26 January 2008	<u>11,867</u>

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGU's) identified according to business segment. A segment level summary of the goodwill allocation is presented below.

	At 31 January 2009 £000	At 26 January 2008 £000
Bay Trading	-	11,867
	<u>-</u>	<u>11,867</u>

The recoverable amount of a CGU is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on a financial budget covering a three year period which has been approved by the Board.

11 Goodwill (continued)

Management performed a value-in-use calculation for Bay Trading based upon budgeted results which anticipated a cash outflow in the near future and, accordingly, fully impaired the remaining goodwill in respect of Bay Trading. A discount rate of 17.1% (2008: 14.9%) was used and like-for-like sales were estimated to be -5.5% for the next financial year and 3% p.a. thereafter.

The subsequent administration of Bay Trading (see note 27) has confirmed that the carrying value of nil was appropriate. In these circumstances the directors do not believe that any further information regarding assumptions and sensitivities relating to their impairment analysis is meaningful.

Goodwill was previously amortised over a period of twenty years and the carrying value at the date of transition to IFRS, 1 February 2004, is the cost less amounts amortised up to that date.

12 Property, plant and equipment

	Land and buildings £000	Short leasehold property £000	Vehicles, plant and machinery £000	Fixtures and fittings £000	Total £000
Group					
Cost					
At 27 January 2007	4,314	3,701	6,137	29,625	43,777
Additions during the period	–	111	237	1,962	2,310
Disposals during the period	–	(373)	(196)	(1,648)	(2,217)
Transfers to assets held for sale	–	(264)	(114)	(19,039)	(19,417)
At 26 January 2008	4,314	3,175	6,064	10,900	24,453
Additions during the period	–	46	311	2,071	2,428
Disposals during the period	–	(636)	(164)	(1,559)	(2,359)
At 31 January 2009	4,314	2,585	6,211	11,412	24,522
Accumulated depreciation and impairment					
At 27 January 2007	1,555	3,128	5,109	23,032	32,824
Charge for the period	96	94	332	2,469	2,991
Disposals during the period	–	(354)	(141)	(1,528)	(2,023)
Impairment (see note 2a)	–	55	–	460	515
Transfers to assets held for sale	–	(261)	(94)	(16,918)	(17,273)
At 26 January 2008	1,651	2,662	5,206	7,515	17,034
Charge for the period	96	88	316	1,541	2,041
Disposals during the period	–	(607)	(115)	(1,394)	(2,116)
Impairment (see note 2a)	–	275	–	990	1,265
At 31 January 2009	1,747	2,418	5,407	8,652	18,224
Net book amount					
At 31 January 2009	2,567	167	804	2,760	6,298
At 26 January 2008	2,663	513	858	3,385	7,419

12 Property, plant and equipment (continued)

Included in vehicles, plant and machinery and fixtures and fittings are assets acquired under finance leases with a cost of £5,541,000 (2008: £5,541,000) and accumulated depreciation of £5,541,000 (2008: £5,541,000). The depreciation charge for the period on these assets was nil (2008: £41,000).

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 17.1% (2008: 14.9%).

The impairment charge is principally in respect of stores which are loss making after the allocation of an appropriate amount of central overheads. Accordingly, assets for those stores have been written down to nil where appropriate. Should future results from those stores not within the Bay Trading segment (see note 27) significantly exceed management's expectations, it is possible that a proportion of the impairment charged may need to be reversed.

	Land and buildings £000
Company	
Cost	
At 27 January 2007, 26 January 2008 and 31 January 2009	3,050
Accumulated depreciation	
At 27 January 2007	627
Charge for the period	54
At 26 January 2008	681
Charge for the period	54
At 31 January 2009	735
Net book amount	
At 31 January 2009	2,315
At 26 January 2008	2,369

13 Investments in subsidiaries

Shares in Group undertakings:

At the beginning of the period

Adjustments for impairment

At the end of the period

At cost

Accumulated impairment

		Company	
		At	At
		31 January	26 January
		2009	2008
		£000	£000
		75,000	120,000
		(38,300)	(45,000)
		36,700	75,000
		207,235	207,235
		(170,535)	(132,235)
		36,700	75,000

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 17.1% (2008: 14.9%). A 0.5% reduction in the discount factor used would reduce the amount of the impairment charged in the period by £2.5 million.

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

A list of principal subsidiary undertakings is shown in note 29.

14 Inventories

Materials

Work in progress

Finished goods

		Group	
		At	At
		31 January	26 January
		2009	2008
		£000	£000
		665	1,298
		698	736
		28,493	31,289
		29,856	33,323

There were no inventories held by the Company as at 31 January 2009 (2008: £nil).

Finished goods inventories of **£4,528,000** (2008: £8,930,000) are carried at fair value less costs to sell, being lower than cost.

The cost of inventories recognised as an expense and included in cost of sales amounted to **£102,482,000** (2008: £106,772,000).

	Group		Company	
	At 31 January 2009 £000	At 26 January 2008 £000	At 31 January 2009 £000	At 26 January 2008 £000
15 Trade and other receivables				
Amounts falling due within one year:				
Trade receivables	11,706	14,590	-	-
Provision for bad debts	-	(150)	-	-
Other debtors	38	7	30	-
Prepayments and accrued income	5,961	6,116	-	-
Other taxation and social security recoverable	-	-	2	-
Amounts owed by subsidiary companies	-	-	15,537	36,887
	17,705	20,563	15,569	36,887
Current tax recoverable	581	2,245	-	2,332
Total debtors	18,286	22,808	15,569	39,219

These financial assets have been categorised as loans and receivables.

All amounts owed by subsidiary companies are interest bearing, unsecured and repayable on demand. Interest rates are linked to variable bank base rates. Included within amounts owed by subsidiary companies is an amount of £9,000 owed by Epcoscan Limited which will not be recoverable.

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 the host store is known to have been placed into administration.

At 31 January 2009 trade receivables of £11,570,000 (2008: £13,618,000) were fully performing and amounts overdue but not impaired totalled £136,000 (2008: £822,000). No amounts at 31 January 2009 had been fully impaired (2008: £150,000).

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

	Group	
	At 31 January 2009 £000	At 26 January 2008 £000
Overdue but not impaired – less than 3 months	136	811
– between 3 and 6 months	-	11
	136	822
Overdue and fully impaired – less than 3 months	-	150
	-	150

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

	Group		Company	
	At 31 January 2009 £000	At 26 January 2008 £000	At 31 January 2009 £000	At 26 January 2008 £000
16 Trade and other payables				
Trade payables	12,136	12,212	-	-
Other creditors	914	4,226	43	15
Other taxation and social security payable	3,441	3,602	-	-
Accruals and deferred income	13,820	13,823	173	328
Amounts owed to subsidiary companies	-	-	28,784	55,670
	30,311	33,863	29,000	56,013
Current tax payable	-	-	262	-
Total creditors	30,311	33,863	29,262	56,013
Short term borrowings				
Bank overdrafts	-	-	10,961	4,197
	-	-	10,961	4,197

All creditors are unsecured. See note 1 for further details of the Group's future borrowing arrangements.

All amounts owed at 31 January 2009 by subsidiary companies are interest bearing, unsecured and repayable on demand. Interest rates are linked to variable bank base rates.

	Group		Company	
	At 31 January 2009 £000	At 26 January 2008 £000	At 31 January 2009 £000	At 26 January 2008 £000
17 Non-current liabilities				
Long term provisions (see note 19)	25,712	11,478	-	868
Accruals and deferred income	444	853	-	-
Pension liabilities (see note 25)	4,137	1,082	-	-
	30,293	13,413	-	868

18 Financial instruments

Numerical financial instrument disclosures are set out below. An explanation of the Group's treasury policy is included within the Directors' Report on page 11.

	At 31 January 2009		At 26 January 2008	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Forward foreign currency contracts – cash flow hedges	4,809	-	441	-

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 currency contracts all mature within the next twelve months. A 5% change in the value of sterling compared to the US dollar would result in a gain or loss of approximately £1.8 million in the income statement for the 53 weeks ending 31 January 2009.

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.

18 Financial instruments (continued)

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 31 January 2009 is £30,432,469 (26 January 2008: £17,705,000).

Gains and losses recognised in the cash flow hedge reserve in equity as at 31 January 2009 will be released to the income statement over the following nine months.

No amounts have been charged to the income statement in the period arising from ineffective cashflow hedges (2008: £198,000).

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 31 January 2009		At 26 January 2008	
	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	(30,311)	(30,311)	(33,863)	(33,863)
Trade and other receivables	17,705	17,705	20,563	20,563
Cash and cash equivalents	5,284	5,284	4,502	4,502
Long term provisions	(25,712)	(25,712)	(11,478)	(11,478)

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 on a discounted basis is:

	At 31 January 2009 £000	At 26 January 2008 £000
In less than one year	9,806	3,616
In more than one year but not more than two years	11,274	6,030
In more than two years but not more than five years	4,415	1,832
In more than five years	217	–
	25,712	11,478

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

	At 31 January 2009 £000	At 26 January 2008 £000
In less than one year	10,140	3,655
In more than one year but not more than two years	11,846	6,361
In more than two years but not more than five years	4,923	2,468
In more than five years	264	–
	27,173	12,484

18 Financial instruments (continued)

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 21.

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:

	At 31 January 2009			At 26 January 2008		
	Sterling	US dollars	Euros	Sterling	US dollars	Euros
Bank overdrafts	2.50%	1.25%	3.00%	6.50%	4.50%	5.00%

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 rate risk arises with regard to the cost of the Group's overdraft and interest received from bank deposits. Interest rates are managed on a short term basis using both fixed and floating rates as the level of debt or deposit fluctuates due to the seasonality of cash flows. Core debt is not considered sufficient to warrant the use of long term fixed rate borrowings or interest rate swaps. The Group has not had, and does not anticipate having, large overdrafts or cash deposits and so a 1% change in interest rates would not have a material effect on the Group's profit or loss for the period.

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 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 31 January 2009 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 53 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 £1.6 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 and are renewed on an annual basis. Further details of how the Group manages the risks associated with liquidity are provided in note 1.

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. 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). During, and subsequent to, the reporting period the banks used by the Group have had their credit ratings reduced as a result of the global credit crisis. Some deposits have therefore been placed with banks with a credit rating of less than AA. 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 the Group's 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 to reduce the cost of capital.

19 Long term provisions

	Property provisions	
	Group £000	Company £000
At 26 January 2008	11,478	868
Charged/(credited) to the income statement	15,955	(868)
Utilised	(1,721)	-
At 31 January 2009	25,712	-

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 term. An assessment of future cash outflow is made on the following bases:

- the discounted value of future cash flows to the end of the lease using a risk free discounted rate of 3.5%;
- the discounted value of annual rental payments to the end of the lease using a risk free discounted rate of 3.5%; and
- the estimated cost to be incurred in order to exit the lease prior to its expiry.

The amount of the provision is calculated as the lowest of the three bases. In circumstances where the provision would be based on the exit cost but it is considered unlikely that the lease could be terminated for a one-off payment, the provision is based on the next highest discounted cash flow outcome.

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.

20 Capital commitments

	At 31 January 2009 £000	At 26 January 2008 £000
Group		
Authorised and contracted – property, plant and equipment	128	105

Company

The Company had no capital commitments at 31 January 2009 (2008: £nil).

21 Lease commitments

	Land and buildings	
	At 31 January 2009 £000	At 26 January 2008 £000
Group		
Future minimum rentals payable under non-cancellable operating leases are as follows:		
Within one year	25,057	23,844
From the second to fifth year inclusive	83,265	83,258
Over five years	51,005	59,091
	159,327	166,193

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 31 January 2009 (2008: £nil).

	At 31 January 2009		At 26 January 2008	
	No. of shares	£000	No. of shares	£000
22 Share capital				
Authorised				
Ordinary shares of 12.5p each	65,813,095	8,227	65,813,095	8,227
Non-cumulative redeemable preference shares of 30p each	39,569,932	11,871	39,569,932	11,871
Non-voting deferred shares of 10p each	-	-	166,086	17
Non-voting deferred shares of 30p each	-	-	17,319,778	5,196
Unclassified	-	5,213	-	-
Total		25,311		25,311
Allotted, issued and fully paid				
Ordinary shares of 12.5p each	45,511,768	5,689	45,511,768	5,689
Non-voting deferred shares of 10p each	-	-	166,086	17
Non-voting deferred shares of 30p each	-	-	17,319,778	5,196
Total		5,689		10,902

825,088 ordinary shares of 12.5p each (2008: 825,088) in the Company are held by the Alexon Employee Share Ownership Trust. These shares have been deducted from the equity disclosed above in accordance with IAS32 and not disclosed as an investment.

On 22 January 2009 the Company redeemed all of the non-voting deferred shares of 10p each for the sum of 1p. The non-voting deferred shares of 30p each were also redeemed on that date by the Company for the sum of 1p. Following the redemption the authorised share capital relating to these deferred shares was re-categorised as 'unclassified' share capital.

Executive share option scheme

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

Long term incentive scheme

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

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

22 Share capital (continued)

	Outstanding at 26 January 2008	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 January 2009	Exercisable at 31 January 2009
Performance-related options						
Number of shares	60,400	–	–	–	60,400	–
Weighted average exercise price (pence)	230.5	–	–	–	230.5	–
Other options						
Number of shares	180,000	–	–	(180,000)	–	–
Weighted average exercise price (pence)	250.1	–	–	250.1	–	–
Long term incentive scheme						
Number of shares	1,404,000	2,746,000	–	(905,000)	3,245,000	–
Weighted average market price at date of grant (pence)	259.3	38.5	–	230.7	80.4	–
	Outstanding at 27 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 26 January 2008	Exercisable at 26 January 2008
Performance-related options						
Number of shares	68,899	–	(8,499)	–	60,400	–
Weighted average exercise price (pence)	224.1	–	178.5	–	230.5	–
Weighted average share price at the date of exercise (pence)	–	–	256.5	–	–	–
Other options						
Number of shares	205,000	–	–	(25,000)	180,000	–
Weighted average exercise price (pence)	243.8	–	–	198.5	250.1	–
Long term incentive scheme						
Number of shares	1,429,000	500,000	–	(525,000)	1,404,000	–
Weighted average market price at date of grant (pence)	287.5	230.5	–	308.9	259.3	–

Some of the share options included above were granted prior to 7 November 2002 and have therefore not been accounted for in accordance with IFRS2.

22 Share capital (continued)

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

	At 31 January 2009			At 26 January 2008		
	Number of shares	Option price	Weighted average remaining contractual life	Number of shares	Option price	Weighted average remaining contractual life
Performance-related options	60,400	178.5p to 335.0p	4.1 years	60,400	178.5p to 335.0p	5.1 years
Other options	-	-	-	180,000	201.5p to 264.0p	0.3 years

The fair value of the long term incentive scheme is calculated based on management's expectations at each balance sheet date of the vesting criteria being met. Details of the vesting criteria are contained within the Directors' Remuneration Report.

At 31 January 2009 it was considered highly unlikely that any of the performance criteria attaching to the share options or shares awarded under the long term incentive scheme would be met. Consequently, there is no charge to the income statement for the 53 weeks ended 31 January 2009 in respect of any share based payments.

23 Statement of changes in equity	Share capital £000	Share premium account £000	Capital redemption reserve £000	Cash flow hedge reserve £000	Profit and loss account £000	Total £000
Group						
At 27 January 2007	5,706	39,372	3,131	(1,153)	20,580	67,636
Arising on issue of ordinary shares	-	6	-	-	2	8
Issue of redeemable preference shares out of share premium	17,067	(17,067)	-	-	-	-
Costs associated with the issue of redeemable preference shares	-	(122)	-	-	-	(122)
Redemption of redeemable preference shares	(11,871)	-	11,871	-	(11,871)	(11,871)
Special dividends paid to holders of redeemable preference shares	-	-	-	-	(5,196)	(5,196)
Dividends paid to Company's shareholders	-	-	-	-	(5,054)	(5,054)
Loss for the period	-	-	-	-	(12,216)	(12,216)
Tax on items taken directly to equity	-	-	-	-	(701)	(701)
Arising on cash flow hedges	-	-	-	1,363	-	1,363
Actuarial gain arising in defined benefit pension scheme	-	-	-	-	816	816
At 26 January 2008	10,902	22,189	15,002	210	(13,640)	34,663
Costs associated with the issue of redeemable preference shares	-	(123)	-	-	-	(123)
Arising on cancellation of shares	(5,213)	-	5,213	-	-	-
Dividends paid to Company's shareholders	-	-	-	-	(3,128)	(3,128)
Loss for the period	-	-	-	-	(28,116)	(28,116)
Tax on items taken directly to equity	-	-	-	-	(510)	(510)
Arising on cash flow hedges	-	-	-	5,305	-	5,305
Actuarial loss arising in defined benefit pension scheme	-	-	-	-	(3,483)	(3,483)
At 31 January 2009	5,689	22,066	20,215	5,515	(48,877)	4,608

23 Statement of changes in equity (continued)

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
Company					
At 27 January 2007	5,706	39,372	3,131	60,417	108,626
Arising on issue of ordinary shares	-	6	-	2	8
Issue of redeemable preference shares out of share premium	17,067	(17,067)	-	-	-
Costs associated with the issue of redeemable preference shares	-	(122)	-	-	(122)
Redemption of redeemable preference shares	(11,871)	-	11,871	(11,871)	(11,871)
Special dividends paid to holders of redeemable preference shares	-	-	-	(5,196)	(5,196)
Dividends paid to Company's shareholders	-	-	-	(5,054)	(5,054)
Loss for the period	-	-	-	(30,591)	(30,591)
Tax on items taken directly to equity	-	-	-	35	35
Actuarial loss arising in defined benefit pension scheme	-	-	-	(116)	(116)
At 26 January 2008	10,902	22,189	15,002	7,626	55,719
Costs associated with the issue of redeemable preference shares	-	(123)	-	-	(123)
Arising on cancellation of shares	(5,213)	-	5,213	-	-
Dividends paid to Company's shareholders	-	-	-	(3,128)	(3,128)
Loss for the period	-	-	-	(38,088)	(38,088)
Tax on items taken directly to equity	-	-	-	(8)	(8)
Actuarial gain arising in defined benefit pension scheme	-	-	-	29	29
At 31 January 2009	5,689	22,066	20,215	(33,569)	14,401

During the period an amount of £1,428,000 relating to cash flow hedges was removed from Group equity and included in the income statement.

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

24 Notes to the statement of cash flows

Cash generated from continuing operations

	Group		Company	
	2009	2008	2009	2008
	53 weeks	52 weeks	53 weeks	52 weeks
	£000	£000	£000	£000
Operating (loss)/profit – continuing operations	(28,129)	10,547	(37,637)	(45,840)
Adjustments for:				
Depreciation	2,041	2,063	54	54
Impairment of property, plant and equipment	1,265	515	–	–
Impairment of investment	–	–	38,300	45,000
Impairment of goodwill	11,867	–	–	–
Loss on disposal of property, plant and equipment	257	55	–	–
Net adjustment in respect of retirement benefit obligations	(218)	(2,517)	276	–
Changes in working capital:				
Decrease/(increase) in trade and other receivables	2,858	(1,946)	21,547	38,886
Decrease in inventories	3,467	1,256	–	–
(Increase)/decrease in trade and other payables	(2,607)	6,676	(24,200)	(36,431)
Increase/(decrease) in long term provisions, accruals and deferred income	16,325	2,616	(868)	868
Cash generated from/(used in) continuing operations	<u>7,126</u>	<u>19,265</u>	<u>(2,528)</u>	<u>2,537</u>
Group				
2009				
53 weeks				
£000				
2008				
52 weeks				
£000				
Cash generated from discontinued operations				
Operating loss – discontinued operations			–	(2,599)
Adjustments for:				
Depreciation			–	928
Profit on disposal of property, plant and equipment			–	(220)
Changes in working capital:				
Decrease in trade and other receivables			–	335
Increase in inventories			–	(302)
Increase in trade and other payables			–	1,340
Decrease in long term provisions, accruals and deferred income			(1,400)	(49)
Cash used in discontinued operations			(1,400)	(567)
Interest paid			–	(33)
Tax paid			–	(225)
Cash flows from operating activities – discontinued operations			<u>(1,400)</u>	<u>(825)</u>

Cash generated from discontinued operations

Adjustments for:

Changes in working capital:

25 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.

The Group also operates a group personal pension plan. Contributions are based on individual members' salaries and range from 3% to 10%. Contributions to the plan during the period amounted to £70,000 (2008: £13,000).

Additional contributions of £33,000 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 Recognised Income and Expense in the period in which they arise.

The major assumptions used in producing the actuarial estimate were:

	At 31 January 2009	At 26 January 2008
Rate of increase in pensionable salaries	4.35%	4.88%
Rate of increase in pensions in payment and deferred pensions	3.35%	3.38%
Discount rate	6.75%	6.00%
Inflation assumption	3.35%	3.38%
Expected return on scheme assets	5.01%	6.08%

Assumptions regarding future mortality rates are set based on advice from the Scheme actuary, published statistics and experience in the industry.

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

	2009	2008
Male	21.8	22.0
Female	25.0	24.9

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

	2009	2008
Male	23.7	23.1
Female	27.1	25.9

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

	At 31 January 2009 £000	At 26 January 2008 £000
Funded Unapproved Retirement Benefit Scheme		
Present value of scheme liabilities	(48)	(1,113)
Fair value of scheme assets	48	1,348
Surplus	-	235

25 Pension commitments (continued)

	At 31 January 2009 £000	At 26 January 2008 £000
Approved defined benefit scheme		
Present value of scheme liabilities	(39,321)	(43,194)
Fair value of scheme assets	35,184	42,112
Deficit	(4,137)	(1,082)

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

	Market related long term rate of return expected at 31 January 2009	Market value as at 31 January 2009 £000	Market related long term rate of return expected at 26 January 2008	Market value as at 26 January 2008 £000
Equities	7.40%	12,059	7.59%	13,683
Bonds	5.73%	9,768	4.95%	21,353
Targeted return fund	6.40%	4,828	6.59%	7,420
Other	1.50%	181	5.50%	1,004
Insured assets	-	8,396	-	-
		35,232		43,460

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 to the income statement are determined as follows:

	2009 53 weeks £000	2008 52 weeks £000
Current service cost	456	612
Settlement cost	276	-
Curtailed cost	-	2,600
Expected return on pension assets	(2,517)	(2,904)
Interest on pension liabilities	2,542	2,219
	757	2,527

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

	At 31 January 2009 £000	At 26 January 2008 £000
Present value of liabilities at the beginning of the period	44,307	43,581
Service cost	456	612
Settlement cost	276	-
Curtailed cost	-	2,600
Interest cost	2,542	2,219
Member contributions	99	101
Benefits paid	(2,932)	(1,347)
Actuarial gain	(5,379)	(3,459)
Present value of liabilities at the end of the period	39,369	44,307

25 Pension commitments (continued)

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

	At 31 January 2009 £000	At 26 January 2008 £000
Present value of assets at the beginning of the period	43,460	41,316
Expected return on assets	2,517	2,904
Employer contributions	950	3,129
Member contributions	99	101
Benefits paid	(2,932)	(1,347)
Actuarial loss	(8,862)	(2,643)
Present value of assets at the end of the period	<u>35,232</u>	<u>43,460</u>

The actual loss on the schemes' assets was £6,405,000 (2008: return of £261,000).

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

	At 31 January 2009 £000	At 26 January 2008 £000
Deficit at the beginning of the period	847	2,265
Current service cost	456	612
Settlement cost	276	-
Curtailment cost	-	2,600
Net interest expense/(income)	25	(685)
Contributions	(950)	(3,129)
Actuarial loss/(gain)	3,483	(816)
Deficit at the end of the period	<u>4,137</u>	<u>847</u>

Cumulative actuarial losses recognised in equity:

	At 31 January 2009 £000	At 26 January 2008 £000
At the beginning of the period	691	1,507
Actuarial loss/(gain) recognised in the period	3,483	(816)
At the end of the period	<u>4,174</u>	<u>691</u>

25 Pension commitments (continued)

History of pension deficit:

	At 31 January 2009 £000	At 26 January 2008 £000	At 27 January 2007 £000	At 28 January 2006 £000	At 29 January 2005 £000
Present value of schemes' liabilities	39,369	44,307	43,581	43,466	36,424
Fair value of schemes' assets	35,232	43,460	41,316	39,022	31,334
Deficit	(4,137)	(847)	(2,265)	(4,444)	(5,090)
Experience adjustments on plan liabilities	1,066	(24)	124	1,101	–
Experience adjustments on plan assets	(8,922)	(2,583)	(352)	3,422	–

26 Related party transactions

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

Redhead Coaching Limited, a Company owned by Mr R. Redhead, a non-executive director, was paid £1,500 for consultancy services during the period. The amount paid to Redhead Coaching Limited represented normal market rates.

There are no other related party transactions for the period ending 31 January 2009 other than key management compensation which is disclosed in note 10.

27 Events after balance sheet date

On 27 April 2009 the Group placed Epcoscan Limited ("Epcoscan") into administration, as described more fully in note 1.

The loss for the period included in these consolidated financial statements for the period ended 31 January 2009 in respect of Epcoscan is shown below.

	2009 53 weeks £000
Turnover	72,699
Cost of sales	(84,571)
Gross loss	(11,872)
Net operating expenses	(18,088)
Operating loss	(29,960)
Net interest payable	(14)
Loss on ordinary activities before tax	(29,974)
Tax charge on loss on ordinary activities	(523)
Loss for the financial period	(30,497)

27 Events after balance sheet date (continued)

The assets and liabilities at 31 January 2009 in respect of Epcoscan included in the consolidated balance sheet are shown below.

	£000	As at 31 January 2009 £000
Property, plant and equipment		1,278
Current assets		
Inventory	3,086	
Trade and other renewables	4,510	
Cash and cash equivalents	7,972	
	<u>15,568</u>	
Current liabilities		
Trade and other payables	(9,895)	
Net current assets		<u>5,673</u>
Total assets less current liabilities		<u>6,951</u>
Non-current liabilities		
Long term provisions		<u>(12,792)</u>
Net liabilities		<u>(5,841)</u>

The operating loss incurred by Epcoscan for the period from 1 February to 26 April 2009, which will be included within discontinued operations in the consolidated financial statements for the 52 weeks ending 30 January 2010, was £4.9 million.

The exceptional gain arising on the administration of Epcoscan in the Group consolidated financial statements for the 52 weeks ending 30 January 2010 is estimated to be approximately £6 million. This gain arises because the Group has been relieved of net liabilities within Epcoscan of £11 million. This is offset by a loss of approximately £6 million arising in other Alexon group companies due to the return of thirty-two leases, which were previously traded by Epcoscan and which will now return to the group under lease guarantee arrangements. These leases are considered to be onerous. £0.8 million of this loss will be recorded in Alexon Group plc. The Group is also expected to realise at least £1 million under the terms of a debenture which provided for a secured charge over some of the assets of Epcoscan.

28 Contingent liabilities

The Company acts as a guarantor for the rental payments relating to a number of leasehold properties occupied by one or more subsidiary companies. The annual rental payments relating to the guarantees amounts to £753,350.

29 Principal subsidiaries

The principal subsidiary undertakings of the Group and Company as at 31 January 2009 were:

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

Alexon International Limited trades as Alex & Co, Eastex, Dash, Ann Harvey, Kaliko, Minuet, and MEAD manufacturing. Epcoscan Limited (trading as Bay Trading Company) was placed into administration on 27 April 2009.

All principal subsidiaries are incorporated in the United Kingdom.

	53 weeks to January 2009 £000	52 weeks to January 2008 £000	52 weeks to January 2007 £000	52 weeks to January 2006 £000	52 weeks to January 2005 £000
Income statement					
Turnover – continuing operations	250,292	262,139	271,185	285,317	287,775
Operating profit/(loss):					
Continuing operations	3,110	14,958	14,467	23,552	23,581
Exceptional items	(31,239)	(4,411)	(4,564)	(597)	–
Operating (loss)/profit from continuing operations	(28,129)	10,547	9,903	22,955	23,581
(Loss)/profit from continuing operations before tax	(27,718)	11,995	10,530	23,315	23,711
(Loss)/profit from continuing operations after tax	(28,630)	6,443	8,351	17,047	17,359
Profit/(loss) from discontinued operations	514	(18,659)	(33,908)	(2,330)	4,006
(Loss)/profit for the financial period attributable to equity holders of the Company	(28,116)	(12,216)	(25,557)	14,717	21,365
Balance sheet					
Tangible fixed assets	6,298	7,419	10,953	17,930	20,866
Net current assets	27,924	27,211	46,907	52,026	43,405
Total equity	4,608	34,663	67,636	101,569	94,486
Statistical information					
Operating profit before exceptional items and goodwill amortisation on total turnover	1.2%	5.7%	5.3%	8.3%	8.2%
(Loss)/profit from continuing operations before tax on total turnover	(11.1)%	4.6%	3.9%	8.2%	8.2%
(Loss)/profit from continuing operations before tax on total equity	(601.5)%	34.6%	15.6%	23.0%	25.1%
(Losses)/earnings per share from continuing operations – basic	(64.07)p	11.84p	14.86p	29.80p	29.53p

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 2009 at 3.00 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the annual financial statements for the 53 weeks to 31 January 2009, together with the reports of the directors and auditors thereon.
2. In accordance with article 111 of the Company's articles of association, to reappoint J. McNally who has been appointed as a director of the Company since the last Annual General Meeting.
3. In accordance with article 111 of the Company's articles of association, to reappoint P. Redhead who has been appointed as a director of the Company since the last Annual General Meeting.
4. In accordance with article 111 of the Company's articles of association, to reappoint A. Moulds who has been appointed as a director of the Company since the last Annual General Meeting.
5. In accordance with article 107 of the Company's articles of association to reappoint R. Handover as a director of the Company.
6. In accordance with article 107 of the Company's articles of association to reappoint R. Piggott as a director of the Company.
7. To reappoint PricewaterhouseCoopers LLP as auditors of the Company.
8. 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 9, 10 and 11 will be proposed as ordinary resolutions and numbers 12, 13, and 14 will be proposed as special resolutions:

9. To approve the Directors' Remuneration Report for the 53 weeks ended on 31 January 2009.
10. That the authorised ordinary share capital of the Company be increased from £8,226,636.875 to £9,412,861.125 by the creation of 9,489,795 ordinary shares of 12.5p each identical and ranking pari passu with the existing authorised but unissued shares of 12.5p each in the capital of the Company.
11. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act):
 - (a) up to an aggregate nominal amount of £1,861,945; and
 - (b) comprising equity securities (as defined in section 94 of the Act) up to an aggregate nominal amount (when added to any allotments made under (a) above) of £3,723,890 in connection with or pursuant to an offer or invitation 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 authorities to expire at the conclusion of the Annual General Meeting of the Company in 2010 or 31 July 2010, whichever is the earlier (save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired).

12. That subject to the passing of resolution 11 set out in the Notice of the 2009 Annual General Meeting of the Company, the directors be and are hereby empowered pursuant to section 95(1) of the Companies Act 1985 (the "Act") to:

- (a) allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by that resolution; and
- (b) sell relevant shares (as defined in section 94(5) of the Act) held by the Company as treasury shares (as defined in section 94(3A) of the Act) ("treasury shares") for cash (as defined in section 162D(2) of the Act),

as if section 89(1) 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 or invitation (but in the case of the authority granted under resolution 11(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 (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 deem necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal 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 territory or any other matter whatsoever; and
- (ii) in the case of the authority granted under resolution 11(a) above, otherwise than pursuant to (i) above, up to an aggregate nominal amount of £284,448.50,

and this power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 or 31 July 2010, whichever is the earlier, save that the Company may at any time before the expiry of such power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after the expiry of such power and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

13. That the Company be and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of section 163(3) 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 4,551,177 representing approximately 10 per cent of the issued ordinary share capital at 31 January 2009;
- (b) the minimum price which may be paid for each ordinary share is 12.5p which amount shall be exclusive of expenses, if any;
- (c) the maximum price which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for the ordinary shares of the Company as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such share is contracted to be purchased;

- (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Annual General Meeting in 2010 or 31 July 2010, whichever is the earlier; and
 - (e) under this authority the Company may make a contract to purchase ordinary shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired.
14. 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

R.A.K.W. Piggott
Secretary

28 May 2009

NOTES

The issued share capital of the Company consists entirely of ordinary shares.

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001 No 3755), the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of shareholders of the Company by no later than 6.00 p.m. on 5 July 2009. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

Copies of service agreements under which directors of the Company are employed, and copies of the terms and conditions of appointment of non-executive directors and a copy of the existing memorandum and articles of association of the Company are available for inspection at the Company's registered office, and at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA, 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 Annual General Meeting for at least 15 minutes prior to and during the meeting.

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – <http://www.icsa.org.uk> – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

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 28 May (being the last practicable day prior to the publication of this notice) the Company's issued share capital consists of 45,511,768 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at that date are 45,511,768.

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.

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 9 and 10 of the Annual Report.