

# Alexandra plc

Annual Report & Accounts 2005



*Dedicated to service*

# Alexandra plc

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*is a multinational supplier of workplace clothing dedicated to providing customers with innovative design, top quality garments, best prices and the highest level of service support.*



*First impressions count, so I always answer calls quickly, recognising the customers' requirements are important to us.*

Call Centre Operative

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## Contents

Financial Highlights	1
Chairman's Statement	2
Chief Executive's Review	4
Financial Review	7
Directors and Advisers	10
Directors' Report	11
Report of the Independent Auditors	14
Consolidated Profit and Loss Account	16
Balance Sheets	17
Consolidated Cash Flow Statement	18
Shareholders' Funds	19
Notes to the Financial Statements	20
Corporate Governance	39
Report on the Directors' Remuneration	42
Five Year Financial Record	46
Notice of Meeting	47
Long Term Incentive Plan	49

# Financial Highlights

*Alexandra has delivered profitable growth during the year and its financial strength provides a sound base to build on this in the future.*

	Year ended 31 January 2005	Year ended 31 January 2004	+/- %
Turnover (£m)	70.72	70.41	+0.4
Operating profit (£m)	5.64	5.25	+7.4
Profit before fixed asset disposal and taxation (£m)	4.72	4.28	+10.4
Adjusted earnings per share (pence)	9.7	8.7	+11.5
Dividend per share (pence)	5.3	5.0	+6.0
Net debt (£m)	11.47	14.52	-21.0

- Turnover growth as increase in volumes outstrips price deflation
- Gross margin improved to 39.3% (2004: 38.9%)
- Double digit growth in underlying profit before tax of 10.4%
- Year end gearing of 36% (2004: 48%) ahead of the 40% Group target
- 6% increase in final and total dividend
- Major Corporate contracts renewed and prestigious accounts won
- Acquisition of Prima Corporate Wear Limited completed on 26 April 2005

*The targets we set ourselves have once again been met or exceeded and the business is well positioned to deliver profitable growth.*

Julian Budd  
Chief Executive

# Chairman's Statement

## Results

Alexandra is now in its twentieth year as a listed company and in my first full year as Chairman it is particularly pleasing for me to announce that the Company delivered profitable sales growth during the financial year ended 2004/5. Operating profit grew 7.4% to £5.64 million from a turnover increase of 0.4%, producing an 11.5% rise in adjusted earnings per share to 9.7 pence (2003/4: 8.7 pence).

This return to top line and further bottom line growth marked the culmination of the transformation of the business from domestic workwear supply to globally procured corporate and occupational clothing across a wide range of industrial and commercial sectors.

The improvement in profitability in a competitive market was achieved through strict management of the supply chain that allowed the gross margin percentage to rise, productivity and efficiency gains in operational

activities and the continued reduction in interest charges.

Cash flow from operations was up 8.9% at £9.1 million (2003/4: £8.4 million) and gearing was reduced to 36% at the year end (2003/4: 48%), enabling the long term Group target of 40% to be beaten.

We are pleased to report that the purchase of Prima Corporate Wear ("Prima") was completed on 26 April 2005 for a consideration of £3.99 million. This move demonstrates the successful completion of the business transformation that enables Alexandra to enact its corporate strategy of growing both organically and by acquisition. Prima will increase the customer base, strengthen our market position in the security and transport sectors and add to the bottom line.

These strong results reflect the underlying strength of the Alexandra business model allied with an unwavering commitment



*These strong results reflect the underlying strength of the Alexandra business model allied with an unwavering commitment to customer service and operational excellence.*

**Chris Marsh**  
Chairman



*We devote considerable time to ensuring we fully understand and meet our customers' needs often working in partnership with them to achieve this.*

**Sales Manager**

to customer service and operational excellence.

**Dividend**

The Board is proposing a final dividend of 3.5 pence per share (2003/4: 3.3 pence) which, together with the interim dividend of 1.8 pence (2003/4: 1.7 pence), makes a total dividend for the year of 5.3 pence, an increase of 6% on the total of 5.0 pence paid last year. This continues the Company's progressive dividend policy and maintains dividend cover at 1.8 times. If approved at the AGM on 28 June 2005 the final dividend will be paid on 8 July 2005 to Shareholders on the register at 10 June 2005.

**Board changes**

Alexandra has continued to strengthen its executive management team throughout the last year.

Ken Gibbs joined the Board as Finance Director in July 2004. Ken was hired in March 2004 as Corporate Planning Director (designate), having previously worked in a number of senior financial roles within Hewlett Packard. Ken replaced Richard Michell who has left the Company and we wish him well in the future.

James Tucker was promoted to the Board as Sales Director in February 2005. Previously James was Head of Sales, having joined the Company from Dixons in 2003.

As notified in December 2004, Raees Lakhani resigned his position as Commercial Director and will not be replaced. Raees contributed to the transformation of the business from in-house

manufacture to out-sourced global procurement.

**Staff**

The quality of the staff across all functions within the business underpins our success and is an ongoing strength of the business. Their enthusiasm and commitment to our customers' needs has been instrumental in delivering the results achieved. The Board would like to thank them for their hard work and dedication throughout the year.

**Current trading and outlook**

Current trading continues to be satisfactory.

The market will remain competitive but the Board believes the Group is well positioned to build on the profitable growth achieved last year. The focus of the sales team

on large corporate accounts has resulted in the signing of new prestigious accounts, including McDonalds and Shell. These will produce turnover for the first time in 2005/6 and will contribute to organic growth. The enhanced management team is focused on delivering excellent products and customer service to this strengthened portfolio of customers.

Inflationary pressures on costs, in particular oil price increases, will be offset by the productivity gains achieved during 2004/5.

The successful integration of Prima and the search for additional acquisition opportunities will be high priorities to further enhance turnover and profit.

Chris A. Marsh  
Chairman



*We understand how important it is to our customers to receive their packages on time, so we track them 24 hours a day.*

Logistics Manager

# Chief Executive's Review

## Operational overview

The Group has performed well in what remains a competitive market and this has enabled top line growth to be achieved. The market is almost flat in terms of unit growth and the 3% improvement in volumes indicates that Alexandra continues to grow its market share. Price deflation has declined as the major one-off reductions driven by the significant shifts in garment sourcing to lower cost manufacturing environments largely occurred in prior years.

Notwithstanding the market conditions, all the core market sectors for workplace clothing have shown good sales growth in the year.

The performance of the Corporate Sales Division in the second half of the year has been particularly encouraging, with sales up 21% on the first half.

Significant major account renewals have been signed and new customer wins include the prestigious names of McDonalds, the National Grid, Shell and Swissport. The last two are examples of the growing portfolio of Pan European accounts, whose total sales have increased by over 50% year-on-year.

The overseas subsidiaries in Ireland, Holland and France have all benefited from the introduction of new, focused, local management. Each have posted year on year growth, with Ireland growing over 35%. The corporate account wins after the year end of Metro in France and Vomar in Holland bode well for continued good performance.

Gross margins and overhead spend have been carefully controlled through supplier management, the Profit

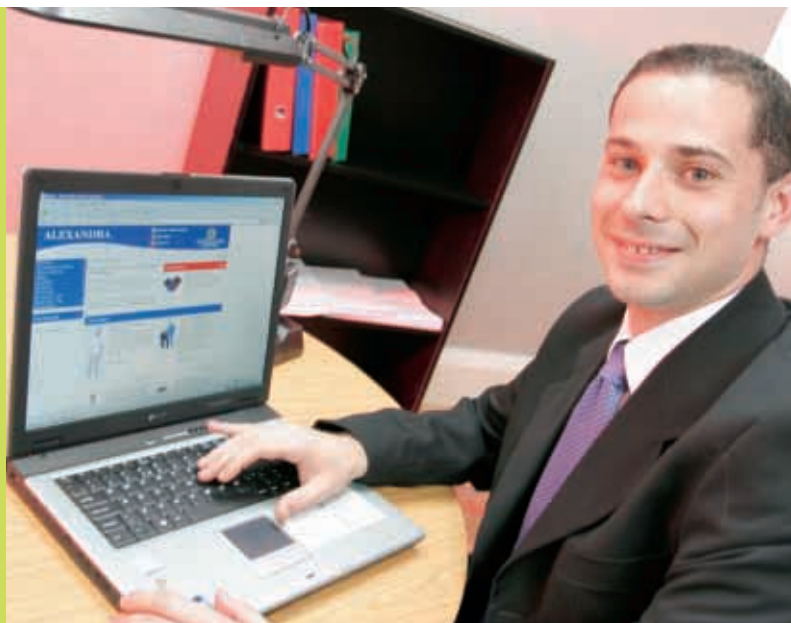


*The future is exciting as we move forward with an excellent portfolio of customers, an enhanced reputation in the corporate clothing market, a strong balance sheet and a first class management team.*

**Julian Budd**  
Chief Executive

*We understand the dynamic and fast moving nature of our customers' businesses as our business grows globally, which is why we underpin our activities with leading edge technology.*

**Computer Operations  
Technician**



Improvement Plan and a disciplined approach to the tender process to avoid unprofitable business. The Profit Improvement Plan was a cross-functional focus on ways to increase productivity and efficiency and the gains achieved were sufficient to allow additional investment in marketing campaigns in the autumn.

With regard to property, the plan to rationalise the Group's retail outlets to a small core based in each of the major UK regions continued during the year with the assignment of a further two leases. Ten regional centres now remain and these have been revitalised recently through the hiring of a new retail manager.

Discussions are still ongoing with local stakeholders to gain planning permission for the last remaining factory site near Glasgow prior to its disposal. This could potentially enhance its value but the process is likely to take several years. In the meantime the site continues to be used as a distribution hub for Scotland and as a centre for the Group's technical and quality departments.

#### Acquisition

On 26 April 2005, Alexandra purchased 100% of the share capital of Prima Corporate Wear Limited, on a cash and debt free basis, for a consideration of £3.99 million. The consideration was satisfied in cash and funded

from our existing facilities.

Prima is a corporate clothing company, specialising in the security and transport sectors, based in Docklands, London. Sales for the year ended 30 September 2004 were £6.2 million, generating profit before tax of £0.6 million. The net assets acquired were approximately £1.0 million in value.

The purchase is in line with our strategy to grow profitably both organically and through carefully

selected acquisitions. The Prima business is a very good fit with our own customer base and product offering. Prima offers its customers excellent service and maintaining these relationships is of paramount importance to us.

The integration savings through combining the buying power of both organisations are attractive and the size and financial strength of Alexandra will allow Prima to grow faster than it could alone.



*We believe design and product development is key to the provision of a successful uniform solution. Research and strong customer relationships ensure full knowledge of corporate objectives and wearer needs.*

**Design Executive**

## Staff

In addition to the changes made at the executive level described in the Chairman's report, I am very pleased with the increased strength in depth of the Group's management team.

This is exemplified by the appointment of Rebecca Coutts, a former Director with Simon Jersey who became Head of Design and Product Development in February 2005. Rebecca brings a wealth of experience from over 20 years in the textile business.

Elsewhere in the organisation, we have seen improvement in our retail business, driven by Simon Elkins who joined us in November 2004. Our purchasing capabilities were also strengthened particularly in the growing area of personal protective equipment (PPE).

The team is further strengthened by the acquisition of Prima Corporate Wear which will continue to be led by its current Managing Director, Nick Atkinson. Nick has over 15 years experience in the corporate clothing business and will provide additional depth to the management talent within the Group.

## Strategy

The strategic objective of the Group remains profitable growth, both organically and by acquisition. The Board believes Alexandra is well placed to achieve this through its leading market position, global procurement expertise, customer centric approach and financial strength.



*It's important to our customers that we help them project their brand values. Personalising their garments with embroidery enables them to create a unique look.*

## Emblem Manager

The enhanced portfolio of corporate accounts provides a good platform for organic growth and will continue to be a key area of focus. Investment will also be made in product and market sectors where we believe we can gain market share.

More broadly, the predicted industry consolidation continues, as exemplified by Alexandra's purchase of Prima. The Group's improved gearing allows further acquisition opportunities to be sought and evaluated against strict criteria to assess their potential value.

## Conclusion

The last year has seen Alexandra complete the lengthy and difficult transformation of its business model and begin to deliver against its objective of profitable growth. The future is exciting as we move forward with an excellent portfolio of customers, an enhanced reputation in the corporate clothing market, a strong balance sheet and a first class management team.

Julian R Budd  
Chief Executive

# Financial Review

## Results

Turnover grew 0.4% to £70.72 million (2003/4: £70.41 million). Unit volumes increased almost 3% and selling price deflation was 2%, continuing its predicted recovery from 6% last year. Sales in the second half were particularly strong, up almost 5% on the first half and 3% year on year. This was driven by our success in the Corporate Sales Division.

Gross margin improved to 39.3% (2003/4: 38.9%), benefiting from cost savings obtained through the active management of the supplier base and improved production efficiency.

Operating profit increased by 7.4% to £5.64 million (2003/4: £5.25 million) and operating margin improved to 8.0% (2003/4: 7.5%). The Profit Improvement Plan instigated during the year restricted

overhead spend through a focus on productivity in each division of the business.

Profit before tax and loss/profit on fixed asset disposals rose 10.4% as interest charges continued to fall despite the 0.75% rate increase during the year. In line with our strategy of reducing the number of retail outlets while retaining regional centres, the shops in Reading and Middlesbrough were closed during the year. This led to a £47,000 loss on disposal of fixed assets, contrasting with a £165,000 profit last year.

Good growth in operating cash flows of 8.9% to £9.1 million (2003/4: £8.4 million) was aided by a £1.9 million improvement in working capital. Debtors fell by £1.3 million as new improved invoice approval processes with customers were introduced. Stock fell by £0.6 million to £27.8



*We understand that it is vital to our customers to have their uniforms in the right place at the right time. We use the latest technology to ensure our distribution team can deliver.*

Distribution Supervisor



*Our focus on operational cash flow has further strengthened our balance sheet and has enabled our long term gearing target to be exceeded ahead of plan.*

Ken Gibbs  
Finance Director

million, largely driven by cost reductions as a direct result of management action. This was partially offset by an increase in stock for new corporate accounts won in the second half of the year.

The strong cash flow allowed year end borrowings to be reduced by 21.0% to £11.5 million (2003/4: £14.5 million). Gearing of 36% was below the Group's long-term goal of 40% and was down from 48% last year. Interest cover grew to a healthy 6.1 times (2003/4: 5.6 times).

## Pension fund

Alexandra operates both defined benefit schemes and a defined

Adjusted Earnings Per Share (pence)	Dividend Per Share (pence)	Gearing (%)
2005 9.7	2005 5.3	2005 36.3
2004 8.7	2004 5.0	2004 48.2
2003 8.4	2003 4.6	2003 69.7
2002 4.6	2002 4.6	2002 80.2

contribution scheme. The defined benefit schemes were closed to new entrants on 1 July 2001.

In accordance with the requirements of FRS 17 the actuarial valuation of the defined benefit schemes has been updated to 31 January 2005. This shows an increase in the deficit of £2.08 million from £6.71 million to £8.79 million. The increase is mainly due to the decision to adopt the more realistic PA92 mortality tables instead of the older PA80 tables used last year to make allowance for the improvements in life expectancy. The impact of the early introduction of this change, in line with the best practice and ahead of statutory requirement, was larger than the increase in the value of the funds' assets during the year. The actual Company contribution to the defined benefit schemes increased to £0.75 million in 2004/5 from £0.73 million in 2003/4.

The deficit is significant, but the membership is relatively young and the increased life expectancy will extend the duration of the schemes. Taking this into consideration, together with likely changes in the value of the equity investments over this period and a number of significant changes that took effect on 1 May 2004,

the Directors consider that this deficit will be eliminated over the life of the schemes.

### Treasury policy

The objective of the Group's treasury policy is to ensure that adequate financial resources are available for the development of the Group's business, whilst managing its currency and interest rate risks.

The principal financial instruments used by the Group, excluding derivatives, are acceptance credits, bank loans, overdrafts and finance leases. The main purpose of these is to raise finance for operations. Other financial instruments arise directly from trading activities such as trade debtors and creditors.

The Group also entered into derivative transactions during the year, principally forward currency contracts. The purpose of these is to manage currency risks arising from operations. Interest rate risk has been addressed through the interest rate cap and swap arrangement agreed in March 2003. It remains Group policy not to trade in financial instruments.

The Board reviews and agrees policies for managing the risks associated with liquidity, currency

and interest rates. The policies have remained unchanged throughout the period.

### Liquidity

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and finance leases. The cash requirements of the business are carefully monitored and sufficient borrowing facilities are in place to ensure adequate funding for the business. During the year the Group consolidated its banking facilities to one lender. Total facilities are £30.0 million, of which £25.0 million are committed. This is comprised of overdrafts, short and medium term bank loans, a short term sterling dealing line and a ten year secured loan. At 31 January 2005 committed bank facilities of £13.1 million had not been drawn down.

### Currency

The major currency exposures of the Group are to US dollars through the purchase of stock from overseas suppliers, Euros through the receipts from Pan European customers and Moroccan Dirhams through the costs of running the factory in

Casablanca. The net flows during the year were approximately £9 million in US dollars, £7 million in Euros and £5 million in Dirhams. Forward currency contracts were used to hedge a significant proportion of these exposures to protect the rates used in pricing customer contracts.

**Interest rates**

The interest rate profile of the financial liabilities as at 31 January 2005 is shown in note 28. In order to limit the effect of any increases in interest rates on the Group, an interest rate cap and an interest rate swap were acquired on 4 March 2003. This covers borrowings of £5.0 million for a period of ten years. The Group considers this represents the core level of debt that the Group will require over the coming years and represents 44% of the floating rate borrowings at the year end.

**International Reporting Standards (IFRS)**

All listed companies in the European Union will have to adopt International Reporting

Standards (IFRS) for accounting periods beginning on or after 1 January 2005. The adoption of IFRS will first be reflected in the Group's financial statements for the half year ending 31 July 2005 and the year ending 31 January 2006.

The project is well advanced to ensure that the necessary changes to the Group's accounting policies, systems and procedures will be fully implemented within the required timescale.

The detailed accounting policies, 2004 and 2005 restated financial results and equity reconciliation will be presented in the interim results for the 6 months ended 31 July 2005.

The most significant factors impacting the Group's financial statements with the move to IFRS are:

- Valuation of employee benefits including retirement defined benefit schemes.
- Cessation of goodwill amortisation.
- Non-discounting of deferred tax

and recognition of deferred tax on revalued properties.

- Recognition of derivative financial instruments.
- Timing of dividend recognition.
- Share based payments.
- Re-classification of computer software to intangible assets from property, plant and equipment.

Although the adoption of IFRS will impact the reported results and net assets, the underlying performance of the business will be unaffected.

**Going concern**

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Ken P Gibbs  
Finance Director



*We work alongside our product development and sales teams to ensure that we provide clear, modern and effective presentations for range and customer support - whether for our catalogue, website or bespoke corporate uniforms.*

Graphic Designer

# Directors and Advisers

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## **Christopher A Marsh**

Non-Executive Chairman

Christopher, aged 61, was appointed as a Non-Executive Director on 25 March 2003 and became Chairman on 31 January 2004. Previously a Director of UBS in London and Hansard Group Plc, he is currently a Non-Executive Director of Parkwood Holdings Plc and of Framlington AIM VCT Plc.

## **Julian R Budd BSc (ECON) FCA**

Chief Executive

Julian, aged 54, is a fellow of the Institute of Chartered Accountants in England and Wales. He joined Alexandra as Group Finance Director Designate in 1988 and was appointed to the Board in 1989. He became Managing Director in 1997 and Chief Executive in 1998.

## **Kenneth P Gibbs ACA**

Finance Director

Ken, aged 45, joined Alexandra on 29 March 2004 as Corporate Planning Director Designate. He was appointed Finance Director on 8 July 2004. Ken was formerly a Finance Director at Hewlett Packard.

## **James A Tucker**

Sales Director

James, aged 33, joined Alexandra in November 2003 as Head of Sales. He was promoted to Sales Director Designate on 1 December 2004 and appointed to the Board on 2 February 2005. James previously worked for Dixon Stores Group.

## **Richard T Wynn-Jones**

Non-Executive Deputy Chairman

Richard, aged 56, was appointed as a Non-Executive Director in 1995 and as Deputy Chairman in 2000. He is a partner of Burges Salmon Solicitors.

## **Secretary**

Paul M Rosser BA ACIS

## **Registered Office**

Alexandra House  
Thornbury  
Bristol  
BS35 2NT

## **Auditors**

Solomon Hare LLP  
Oakfield House  
Oakfield Grove  
Clifton  
Bristol  
BS8 2BN

## **Bankers**

HSBC Bank plc  
49 Corn Street  
Bristol  
BS99 7PP

## **Registrars**

Computershare Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 7NH

# Directors' Report

The Directors of Alexandra plc have pleasure in submitting their Annual Report together with the audited financial statements for the year ended 31 January 2005.

## Activities and business review

The principal activity of the Group continues to be the specialist supply of workplace clothing direct to customers in the United Kingdom, the wider European market and overseas.

A review of the business including future prospects is contained within the Chairman's Statement, Chief Executive's Review and the Financial Review set out in pages 2 to 9 which constitute an integral part of this Report.

## Results and dividend

The Group's consolidated profit and loss account is set out on page 16.

The profit for the year after taxation, amounted to £3.2 million (2004: £3.0 million), which after dividends of £1.8 million (2004: £1.6 million) resulted in retained earnings of £1.4 million (2004: £1.4 million).

The Directors recommend that a final dividend of 3.5p (2004: 3.3p) per share be paid in addition to the interim dividend of 1.8p (2004: 1.7p) which was paid on 3 December 2004. Subject to the agreement of the shareholders at the Annual General Meeting, the dividend warrants in respect of the proposed final dividend will be posted on 8 July 2005 to shareholders on the register on 10 June 2005.

## Directors

The details of the current Directors together with brief biographical details are shown on page 10. Particulars of Directors' remuneration, their service agreements and their interests in the share capital are given in the Report on the Directors' Remuneration on pages 42 to 45.

Mr K P Gibbs was appointed to the Board on 8 July 2004 as Finance Director. In accordance with the Articles of Association Mr Gibbs will retire at the AGM following his appointment and, being eligible, offers himself for election. Mr Gibbs has a twelve month rolling contract.

Mr R Lakhani resigned from the Board as Commercial Director with effect from 8 December 2004. After the year end Mr J A Tucker was appointed to the Board on 2 February 2005 as Sales Director. Mr J A Tucker has a twelve month rolling contract. In accordance with the Articles of Association Mr Tucker will retire at the AGM following his appointment and, being eligible, offers himself for election.

In accordance with the Articles of Association, Mr J R Budd retires by rotation and, being eligible, offer himself for re-election.

In accordance with the section A.7.2 of the Revised Combined Code, Mr Wynn-Jones, having served over nine years is now subject to annual re-election. He will retire at the AGM and being eligible offers himself for re-election.

An ordinary resolution will be proposed at the Annual General Meeting to introduce a Long Term Incentive Plan as recommended by the Remuneration Committee detailed on page 49.

## Capital

An ordinary resolution will be proposed at the Annual General Meeting to provide the Directors with a general authority to allot securities in the Company up to an aggregate nominal amount of £1,064,837. If passed, the resolution will enable the Directors to allot a maximum of 10,648,373 ordinary shares which represents approximately 31.93% of the issued share capital of the Company as at 12 May 2005. The Directors have no present intention to exercise this authority. The authority will expire on the day preceding the fifth anniversary of the Annual General Meeting.

A special resolution will be proposed at the Annual General Meeting which seeks your approval for renewal of the authority given at last year's Annual General Meeting to enable your Directors to a limited extent to issue equity securities for cash without first offering such securities to existing shareholders in proportion to their holdings. The authority being sought is for a maximum nominal amount of £166,758, being 5% of the issued share capital of the Company. The authority will expire at the conclusion of the Company's next Annual General Meeting.

## Acquisition of the Company's own shares

The Directors wish to renew the authority given in previous years to permit the Company to purchase its own shares. Purchase of shares will only be made if the Board is satisfied that such purchases would result in an increase in future earnings per share, after taking account of other investment opportunities, the level of borrowing and the Company's overall financial position.

A special resolution will therefore be proposed at the Annual General Meeting to give the Directors authority to purchase up to 3,301,811 ordinary shares, representing 9.9% of the Company's issued ordinary share capital, through market purchases on the London Stock Exchange. The maximum price to be paid on any exercise of the authority would not exceed 105% of the average of the middle market quotations for the Company's shares for the five business days immediately preceding the date of purchase. The minimum price would be 10p per ordinary share.

The authority sought at the Annual General Meeting will expire 15 months after the passing of this resolution or, if earlier, at the Annual General Meeting in 2006.

Following the introduction of The Companies (Acquisition of Own Shares)(Treasury Shares) Regulations 2003, which came into force on 1 December 2003, companies are now permitted to retain any of their own shares which they have purchased as treasury stock with a view to possible re-issue at a future date, rather than cancelling them as had previously been required by legislation. Accordingly, if the Company were to purchase any of its own shares, it would consider holding them as treasury stock, pursuant to the authorisation conferred by the special resolution to be proposed at the forthcoming Annual General Meeting. 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. The Company does not currently hold any treasury shares.

The Directors have no present intention to use this authority. However, the Directors consider it desirable for the general authority proposed to be available to provide maximum flexibility in the active management of the Company's capital resources. The Directors would use such authority only if satisfied at the time that to do so would be in the interests of shareholders.

As at 12 May 2005, 116,054 options exist in respect of 0.35% of the Company's equity share capital, which would represent 0.39% of the issued share capital if the maximum amount of this authority was utilised.

## Notifiable shareholdings

In addition to certain of the Directors, the Company had been advised by 12 May 2005 of the following notifiable shareholdings in excess of 3%:-

	Shares	Holding %
ABN - AMRO Asset Management	4,114,625	12.4%
Framlington Group plc	3,645,841	10.9%
ISIS Asset Management	2,589,000	7.8%
Aberdeen Asset Managers	1,455,000	4.4%
C F E Davis – beneficially held	330,372	1.0%
– non-beneficially held	910,300	2.7%
Mr and Mrs R G Persey	1,196,750	3.6%
Diageo Pension Trust Ltd	1,121,000	3.4%
Mr and Mrs J M Prior	1,068,284	3.2%

## Employees

Employee relationships have continued to be good throughout the year. The Group places considerable importance upon consultation and good communication with all its employees. This is accomplished through the operation of staff committees, management meetings and an employee newsletter. A policy of promotion from within is applied wherever possible.

The Group is aware of its social and statutory responsibility to employ disabled persons when recruiting staff. In the event of employees becoming disabled every effort is made, through training if necessary, to ensure continuity of employment.

#### Creditor payment policy

The Group agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

The Group has agreed extended payment terms with two of its main fabric suppliers. If these are excluded, the Group's remaining trade creditors' figure at 31 January 2005 was equivalent to 36 working days (2004: 35 working days), based on average daily amounts invoiced by suppliers during the year.

#### Other matters

During the year charitable contributions amounted to £400. There were no political contributions.

#### Corporate Governance

The Company's compliance with the Combined Code on Corporate Governance is shown on pages 39 to 41 and the Auditors' Report thereon is on pages 14 and 15.

#### Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to:-

- (a) select suitable accounting policies and then apply them consistently, with the exception of the changes arising on the adoption of new accounting standards;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are also responsible for keeping proper accounting records which 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 comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

#### Auditors

Solomon Hare LLP have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board  
P M Rosser  
Secretary  
25 May 2005

# Report of the Independent Auditors

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## Independent Auditors' Report to the Shareholders of Alexandra plc

We have audited the financial statements for the year ended 31 January 2005 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Group Shareholders' Funds and the related notes 1 to 29. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein. We have also audited the information in the Report on the Directors' Remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Report on the Directors' Remuneration and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities within the Directors' Report. Our responsibility is to audit the financial statements and the part of the Report on the Directors' Remuneration to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report on the Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules of the Financial Services Authority regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Financial Reporting Council's Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Report on the Directors' Remuneration, the Chairman's Statement, the Chief Executive's Review, the Financial Review and the Corporate Governance Statement. 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report on the Directors' Remuneration to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 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 Report on the Directors' Remuneration to be audited.

### Opinion

In our opinion:-

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 January 2005 and of the Group's profit for the year ended; and
- the financial statements and the part of the Report on the Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.

Solomon Hare LLP  
Registered Auditors  
Chartered Accountants  
Oakfield House  
Oakfield Grove  
Clifton  
Bristol BS8 2BN

25 May 2005

# Consolidated Profit and Loss Account

For the year ended 31 January 2005

	Note	2005 £000	2004 £000
Turnover	2	70,723	70,410
Cost of sales		(42,920)	(43,033)
<b>Gross margin</b>		<b>27,803</b>	27,377
Distribution costs		(2,540)	(2,615)
Administration expenses		(19,626)	(19,512)
		(22,166)	(22,127)
<b>Operating profit</b>	3	<b>5,637</b>	5,250
(Loss)/Profit on disposal of fixed assets		(47)	165
<b>Profit on ordinary activities before interest and taxation</b>		<b>5,590</b>	5,415
Interest (net)	4	(917)	(974)
<b>Profit on ordinary activities before taxation</b>		<b>4,673</b>	4,441
Taxation on profit on ordinary activities	6	(1,469)	(1,407)
<b>Profit attributable to shareholders</b>		<b>3,204</b>	3,034
Dividends	7	(1,768)	(1,665)
<b>Transferred to reserves</b>	23	<b>1,436</b>	1,369
<b>Earnings per share - basic and diluted</b>	8a	<b>9.6p</b>	9.1p
<b>Earnings per share - adjusted</b>	8b	<b>9.7p</b>	8.7p

All activities have arisen from continuing operations.

The accompanying notes on pages 20 to 38 form an integral part of these financial statements.

# Balance Sheets

As at 31 January 2005

	Note	Group		Company	
		2005 £000	2004 £000	2005 £000	2004 £000
<b>Fixed assets</b>					
Intangible assets					
Goodwill	9	451	416	-	-
Tangible assets	10	11,373	11,377	10,933	10,813
Investments	11	10	10	16,573	16,501
		<b>11,834</b>	11,803	<b>27,506</b>	27,314
<b>Current assets</b>					
Stocks	13	27,785	28,327	27,051	27,680
Debtors	14	22,273	23,590	22,815	24,963
		<b>50,058</b>	51,917	<b>49,866</b>	52,643
Creditors: amounts falling due within one year	15	19,889	24,507	22,285	27,051
<b>Net current assets</b>		<b>30,169</b>	27,410	<b>27,581</b>	25,592
<b>Total assets less current liabilities</b>		<b>42,003</b>	39,213	<b>55,087</b>	52,906
Creditors: amounts falling due after more than one year	16	9,754	8,262	9,750	8,250
Provisions for liabilities and charges	19	695	861	771	924
<b>Net assets</b>		<b>31,554</b>	30,090	<b>44,566</b>	43,732
<b>Capital and reserves</b>					
Called up share capital	21	3,335	3,329	3,335	3,329
Share premium account	23	1,824	1,800	1,824	1,800
Revaluation reserve	23	2,359	2,358	2,308	2,308
Other reserves	23	2,435	2,433	2,448	2,448
Profit and loss account	23	21,601	20,165	34,651	33,847
<b>Equity shareholders' funds</b>		<b>31,554</b>	30,085	<b>44,566</b>	43,732
Equity minority interest		-	5	-	-
<b>Total shareholders' funds</b>		<b>31,554</b>	30,090	<b>44,566</b>	43,732

Approved by the Board

25 May 2005

J R Budd

K P Gibbs

Directors

The accompanying notes on pages 20 to 38 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 January 2005

	Note	2005 £000	2004 £000
<b>Net cash inflow from operating activities</b>	<b>25</b>	<b>9,091</b>	8,351
<b>Returns on investments and servicing of finance</b>			
Interest received		15	2
Interest paid		(874)	(1,069)
		<b>(859)</b>	(1,067)
<b>Taxation paid</b>			
Corporation tax paid		(1,851)	(1,126)
Overseas tax paid		(13)	(20)
		<b>(1,864)</b>	(1,146)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,516)	(551)
Purchase of garments on hire		(59)	(76)
Sale of tangible fixed assets		(13)	1,484
		<b>(1,588)</b>	857
<b>Acquisitions</b>			
Investment in subsidiaries		(63)	(62)
<b>Equity dividends paid</b>		<b>(1,697)</b>	(1,565)
<b>Cash inflow before financing</b>		<b>3,020</b>	5,368
<b>Financing</b>			
Increase in share capital		30	-
Decrease in debt due within one year		(5,338)	(4,716)
Decrease/(Increase) in debt due beyond one year		1,493	(3,250)
<b>Decrease in cash</b>	<b>26/27</b>	<b>(795)</b>	(2,598)

The accompanying notes on pages 20 to 38 form an integral part of these financial statements.

# Shareholders' Funds

For the year ended 31 January 2005

## Statement of total recognised gains and losses

	<b>2005</b>	2004
	<b>£000</b>	£000
Profit attributable to shareholders	<b>3,204</b>	3,034
Exchange adjustment on foreign currency net investments	<b>3</b>	(9)
Unrealised surplus arising on revaluation of freehold properties	<b>-</b>	206
<b>Total recognised gains and losses for the year</b>	<b>3,207</b>	3,231

## Reconciliation of movements in shareholders' funds

	<b>2005</b>	2004
	<b>£000</b>	£000
Total recognised gains and losses for the year	<b>3,207</b>	3,231
Increase in share capital	<b>30</b>	-
Dividends	<b>(1,768)</b>	(1,665)
Net additions to shareholders' funds	<b>1,469</b>	1,566
Shareholders' funds at 31 January 2004	<b>30,085</b>	28,519
<b>Equity shareholders' funds at 31 January 2005</b>	<b>31,554</b>	30,085

## Note of historical cost profits and losses

	<b>2005</b>	2004
	<b>£000</b>	£000
Reported profit on ordinary activities before taxation	<b>4,673</b>	4,441
Realisation of property valuation gains of prior years	<b>-</b>	486
<b>Historical cost profits on ordinary activities before taxation</b>	<b>4,673</b>	4,927
<b>Transfer to reserves after taxation and dividends</b>	<b>1,436</b>	1,855

The accompanying notes on pages 20 to 38 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1. Accounting policies

### (a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings and are in accordance with applicable accounting standards and the Companies Act 1985.

### (b) Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiaries made up to 31 January and exclude all intragroup transactions. Where subsidiary undertakings are acquired during the year, the financial statements include their results from the effective date of acquisition. The Company has taken advantage of the exemption from presenting its own profit and loss account. The amount of consolidated profit for the year dealt with in the financial statements of the Company is £2,572,000 (2004: £3,229,000)

### (c) Goodwill

Goodwill represents the difference between the fair value of the net assets of subsidiary undertakings at the date of acquisition and their purchase price. Prior to 31 January 1998, goodwill was written off directly to reserves on acquisition. Following the adoption of FRS 10, as permitted, no restatement has been made in respect of goodwill previously eliminated against reserves.

Positive goodwill arising on acquisition since 1 February 1998 is capitalised and amortised on a straight line basis through the profit and loss account over its economic life up to a permitted maximum of 20 years.

Goodwill is subject to regular impairment reviews, the first being at the end of the full financial year following the year of acquisition.

On disposal or closure of the business, any remaining unamortised goodwill will be written off through the profit and loss account, including that written off direct to reserves.

### (d) Foreign currencies

Transactions by the UK companies denominated in foreign currency are translated at the rate ruling at the settlement date or at the contract rate if the transaction is covered by a forward exchange contract.

Assets and liabilities denominated in foreign currency are translated at the exchange rate ruling at the balance sheet date. Exchange differences arising in the financial statements of the individual undertakings are included in their profit and loss accounts.

Overseas subsidiaries' assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. Their profit and loss accounts are translated at the average rate of exchange for the period. Differences on exchange arising from the translation of the overseas subsidiaries' financial statements are recorded as a movement on reserves.

### (e) Turnover

Turnover, which excludes value added tax and sales between Group companies, represents the invoiced value of goods and services and income receivable under garment rental agreements. Rental income is recognised over the period of the contract. Revenue from goods is recognised on despatch of the goods or acceptance of ownership by the customer.

### (f) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost consists of material and direct labour together with an appropriate share of manufacturing overheads.

### (g) Depreciation

Tangible fixed assets are stated at cost or valuation which include any attributable costs of acquisition less accumulated depreciation.

Depreciation is calculated on a straight line basis so as to write off the cost or valuation less estimated residual value of tangible fixed assets over their expected useful lives. For this purpose, expected lives are as follows:-

- Freehold buildings: not more than 50 years.
- Leasehold land and buildings: the lesser of the unexpired period of the lease or 50 years.
- Plant and equipment: principally between 4 and 15 years.
- Garments on hire: period of the rental agreement which is normally 2 years.

**(h) Land and buildings**

Certain of the Group's land and buildings were valued on the basis of open market value in either 1990/1991 or 1999/2000. Following the adoption of FRS 15 the Group followed the transitional rules to retain the book values of revalued property with the exception of one class: freehold offices. External valuers will revalue these every 5 years with an interim valuation in the third year. In accordance with FRS 11 any impairment in the value of these assets will be recognised.

**(i) Deferred taxation**

Deferred tax is recognised on a full provision basis in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences represent the accumulated differences between the Group taxable profits and its financial profit and arise primarily from the difference between accelerated capital allowances and depreciation. Provision is made for gains on disposal of assets that have been rolled over into replacement assets only where there is a commitment to dispose of the replacement asset. Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. A policy of discounting the deferred tax assets and liabilities to reflect the time value of money has also been adopted.

**(j) Pensions**

The Group operates two pension schemes. In accordance with SSAP 24, for the defined benefit schemes, pension costs are accounted for on the basis of charging the expected cost of providing the pensions on a systematic basis over the period during which the Group benefits from the scheme members' services. The effects of any variations from regular costs are spread over the expected average remaining service lives of members of the schemes. Under the defined contribution scheme contributions are charged to the profit and loss account as they become payable.

**(k) Leasing and hire purchase contracts**

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases') the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the profit and loss account on the same basis as shown above. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account.

All other leases are 'operating leases' and the relevant annual rentals are charged wholly to the profit and loss account.

**(l) Vacant leasehold properties**

A provision is maintained in respect of vacant leasehold properties for the net present value of the future lease costs over the period until the Board expect the properties to be sublet.

**(m) Investments**

Investments held as fixed assets are stated at cost less any provision required following an impairment review.

**(n) Financial instruments**

The Group uses financial instruments, in particular forward exchange contracts, to manage the financial risks associated with its financing of its underlying business activities and to hedge its exposure to foreign currency exchange rate fluctuations. The Group does not undertake any trading activity in these financial instruments.

Financial instruments are accounted for as follows:-

- Forward exchange contracts are used to hedge foreign currency exposures arising on anticipated sales and purchases in foreign currencies. Gains and losses are accounted for as part of the relevant underlying transactions.
- Interest rate caps are used to hedge the Group's exposure to interest rate fluctuations. Premiums are recognised in the Group's balance sheet as a prepayment and amortised over the period of the cap.

# Notes to the Financial Statements – continued

## 2. Segmental information

The turnover arose from the following sales activities within the one class of business:–

	<b>2005</b> <b>£000</b>	2004 £000
Direct marketing	<b>60,452</b>	61,486
Overseas	<b>8,024</b>	6,433
Other including rentals	<b>2,247</b>	2,491
	<b>70,723</b>	70,410

Turnover by geographical destination is as follows:–

	<b>2005</b> <b>£000</b>	2004 £000
United Kingdom and Ireland	<b>64,875</b>	65,619
France and Holland	<b>2,190</b>	2,307
Other European	<b>1,646</b>	1,170
Other Worldwide	<b>2,012</b>	1,314
	<b>70,723</b>	70,410

Analysis by geographical segment, with turnover and related profits shown in the segment from which the sale was made, is as follows:–

	2005		2004	
	Turnover £000	Profit £000	Turnover £000	Profit £000
United Kingdom and Ireland	<b>71,039</b>	<b>4,707</b>	70,620	4,533
Europe	<b>1,524</b>	<b>(199)</b>	1,475	(381)
Other Worldwide	<b>5,238</b>	<b>165</b>	6,556	289
Inter segment	<b>(7,078)</b>	-	(8,241)	-
	<b>70,723</b>	<b>4,673</b>	70,410	4,441

Analysis of net assets by geographical segment is as follows:–

	<b>2005</b> <b>£000</b>	2004 £000
United Kingdom and Ireland	<b>34,381</b>	34,018
Europe	<b>(381)</b>	(1,001)
Other Worldwide	<b>313</b>	157
	<b>34,313</b>	33,174
Unallocated liabilities	<b>(2,759)</b>	(3,084)
	<b>31,554</b>	30,090

### 3. Operating profit

Operating profit is arrived at after charging:-

	<b>2005</b>	2004
	<b>£000</b>	£000
Directors' emoluments	<b>514</b>	643
Depreciation - owned assets	<b>1,542</b>	1,579
Depreciation - leased assets	<b>9</b>	11
Hire of plant and machinery - operating leases	<b>1,071</b>	684
Hire of other assets - operating leases	<b>2,874</b>	2,953
Auditors' remuneration - audit fee	<b>72</b>	57
- other fees	<b>54</b>	30
Goodwill amortisation	<b>32</b>	27
and after crediting:-		
Rent receivable	<b>957</b>	957

A detailed analysis of Directors' remuneration, including salaries, performance related bonuses and share options, together with information on pensions, including that of the highest paid Director, is provided in the Report on the Directors' Remuneration on pages 42 to 45.

In addition to the amounts noted above, the auditors received remuneration for other services of £nil (2004: £24,000), which has been included in the cost of investment.

Analysis of total fees payable to the Group auditors:-

	<b>2005</b>	2004
	<b>£000</b>	£000
Audit services	<b>72</b>	57
Tax compliance services	<b>22</b>	30
Other services	<b>32</b>	28
	<b>126</b>	115

### 4. Net interest

	<b>2005</b>	2004
	<b>£000</b>	£000
Interest receivable	<b>(15)</b>	(2)
Interest payable and similar charges:-		
Bank loans and overdrafts	<b>932</b>	976
	<b>917</b>	974

### 5. Employees

The average number of persons (full and part-time) employed by the Group (including Directors) during the year was as follows:-

	<b>2005</b>	2004
Management and administration	<b>81</b>	88
Manufacturing	<b>463</b>	482
Direct and retail sales	<b>253</b>	245
Distribution and value added services	<b>126</b>	131
	<b>923</b>	946

# Notes to the Financial Statements – continued

## 5. Employees - continued

The aggregate payroll costs of these persons were as follows:–

	<b>2005</b> <b>£000</b>	2004 £000
Wages and salaries	<b>10,596</b>	10,594
Social security costs	<b>986</b>	980
Other pension costs	<b>888</b>	819
	<b>12,470</b>	12,393

## 6. Taxation on profit on ordinary activities

(a) Taxation on profit on ordinary activities for the year was:–

	<b>2005</b> <b>£000</b>	2004 £000
Current tax:		
UK Corporation tax for the period at 30%	<b>1,625</b>	1,405
Adjustments in respect of previous periods	<b>27</b>	(67)
Foreign tax	<b>13</b>	9
Total current tax (note 6(b))	<b>1,665</b>	1,347
Deferred tax: (note 20)		
Origination and reversal of timing differences	<b>(205)</b>	45
Movement in discount	<b>9</b>	15
Total deferred tax	<b>(196)</b>	60
	<b>1,469</b>	1,407

(b) Factors affecting tax charge for period

The UK standard rate of corporation tax is 30% (2004: 30%), whereas the current tax assessed for the financial year as a percentage of profit before tax is 35.6% (2004: 30.3%). The differences are explained below:

	<b>2005</b> <b>£000</b>	2004 £000
Standard rate of corporation tax in the United Kingdom	<b>30.0%</b>	30.0%
Effects of:		
Depreciation for period in excess of capital allowances	<b>3.0%</b>	2.0%
Expenses not deductible for tax purposes	<b>0.7%</b>	0.7%
Timing difference	<b>1.6%</b>	(1.6%)
Overseas earnings not qualifying for UK corporation tax	<b>-</b>	1.0%
Lower tax rates on overseas earnings	<b>(0.4%)</b>	-
Utilisation of tax losses	<b>(0.1%)</b>	(0.5%)
UK corporation tax charge for the period	<b>34.8%</b>	31.6%
Adjustments to tax charge in respect of previous periods	<b>0.5%</b>	(1.5%)
Foreign tax	<b>0.3%</b>	0.2%
Current tax rate for period	<b>35.6%</b>	30.3%

## 7. Dividends

Ordinary dividends have been paid and are proposed as follows:-

	<b>2005</b>	2004
	<b>£000</b>	£000
Interim paid 1.8p per share (2004: 1.7p per share)	<b>600</b>	566
Final proposed 3.5p per share (2004: 3.3p per share)	<b>1,168</b>	1,099
	<b>1,768</b>	1,665

## 8. Earnings per share

(a) Earnings per share (basic and diluted) has been calculated on the profit on ordinary activities after taxation of £3,204,000 (2004: £3,034,000) and the weighted average number of shares in issue during the year amounting to 33,322,614 (2004: 33,393,600). The diluted earnings per share has been calculated on the basic earnings and the weighted average number of shares plus an additional 61,260 (2004: 105,792) shares representing the fair value of the weighted average number of shares under option during the year.

(b) Earnings per share (adjusted) has been calculated on earnings of £3,244,000 (2004: £2,902,000) and the weighted average number of shares in issue during the year amounting to 33,322,614 (2004: 33,293,600). Earnings relates to profit attributable to shareholders adjusted for the fixed asset disposal of loss £47,000 (2004: profit £165,000) with tax charge at the appropriate rate of £6,000 (2004: £33,000).

## 9. Intangible assets

	<b>Goodwill</b>
	<b>£000</b>
<b>Group</b>	
Cost	
At 1 February 2004	<b>601</b>
Additions - JT's Corporation Limited	<b>67</b>
<b>At 31 January 2005</b>	<b>668</b>
Amortisation	
At 1 February 2004	<b>185</b>
Charge for the year	<b>32</b>
<b>At 31 January 2005</b>	<b>217</b>
<b>Net book value at 31 January 2005</b>	<b>451</b>
Net book value at 31 January 2004	416

# Notes to the Financial Statements – continued

## 10. Tangible fixed assets

	Land & buildings £000	Plant and equipment £000	Garments on hire £000	Total £000
<b>Group</b>				
Cost or valuation				
At 1 February 2004	7,635	23,636	287	31,558
Exchange adjustments	15	21	-	36
Additions	25	1,493	59	1,577
Disposals	(111)	(1,091)	(56)	(1,258)
<b>At 31 January 2005</b>	<b>7,564</b>	<b>24,059</b>	<b>290</b>	<b>31,913</b>
Depreciation				
At 1 February 2004	1,434	18,573	174	20,181
Exchange adjustments	14	18	-	32
Charge for the year	134	1,335	82	1,551
Disposals	(107)	(1,061)	(56)	(1,224)
<b>At 31 January 2005</b>	<b>1,475</b>	<b>18,865</b>	<b>200</b>	<b>20,540</b>
<b>Net book value at 31 January 2005</b>	<b>6,089</b>	<b>5,194</b>	<b>90</b>	<b>11,373</b>
Net book value at 31 January 2004	6,201	5,063	113	11,377

The net book value of tangible fixed assets includes an amount of £14,850 (2004: £23,900) in respect of assets held under finance leases and hire purchase contracts.

	Land & buildings £000	Plant and equipment £000	Garments on hire £000	Total £000
<b>Company</b>				
Cost or valuation				
At 1 February 2004	6,957	22,758	287	30,002
Additions	25	1,468	59	1,552
Disposals	(111)	(841)	(56)	(1,008)
<b>At 31 January 2005</b>	<b>6,871</b>	<b>23,385</b>	<b>290</b>	<b>30,546</b>
Depreciation				
At 1 February 2004	782	18,233	174	19,189
Charge for the year	110	1,206	82	1,398
Disposals	(107)	(811)	(56)	(974)
<b>At 31 January 2005</b>	<b>785</b>	<b>18,628</b>	<b>200</b>	<b>19,613</b>
<b>Net book value at 31 January 2005</b>	<b>6,086</b>	<b>4,757</b>	<b>90</b>	<b>10,933</b>
Net book value at 31 January 2004	6,175	4,525	113	10,813

## 10. Tangible fixed assets - continued

### Group and Company

The net book value of land and buildings comprises:-

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Freehold land and buildings	5,794	5,842	5,794	5,842
Short leasehold	295	359	292	333
	<b>6,089</b>	6,201	<b>6,086</b>	6,175

	Group £000	Company £000
At valuation 2004	4,381	4,381
At valuation 2000	1,413	1,413
At cost	295	292
<b>Net book value at 31 January 2005</b>	<b>6,089</b>	<b>6,086</b>

The Group's Freehold Offices, which in accordance with FRS 15 are to be revalued every five years, were professionally revalued in January 2004. The remaining revalued properties which comprise a freehold factory and a short leasehold French property were professionally revalued at their Open Market Value during 2000 and 1990/1991.

The historical cost and related depreciation of the revalued properties is as follows:-

	Group £000	Company £000
Cost	4,719	4,097
Aggregate depreciation	(1,414)	(804)
<b>Net book value at 31 January 2005</b>	<b>3,305</b>	<b>3,293</b>

## 11. Investments

	Shares in subsidiaries £000	Loans to subsidiaries £000	Other investments £000	Total £000
At 1 February 2004	2,896	13,595	10	16,501
Additions - JT's Corporation Limited	72	-	-	72
<b>At 31 January 2005</b>	<b>2,968</b>	<b>13,595</b>	<b>10</b>	<b>16,573</b>

During the year the Company varied the shareholders agreement in respect of JT's Corporation Limited which resulted in an additional investment of £72,000. This variation allows only Alexandra plc to receive dividends or other distribution from profits achieved by JT's Corporation Limited.

# Notes to the Financial Statements – continued

## 11. Investments - continued

The Group's principal subsidiaries are listed below. The Company holds 100% of the nominal value of the shares in these companies except for JT's Corporation Limited where the holding is 50%.

Subsidiary undertakings	Country of incorporation	Nature of business
Alexandra BV	Holland	Sales and Marketing
Alexandra Careerwear Limited	Great Britain	Dormant
Alexandra Fabrics Limited	Great Britain	Dormant
Alexandra Overalls Limited	Great Britain	Dormant
Alexandra SARL	France	Sales and Marketing
Alexandra Rentals Limited	Great Britain	Dormant
Alexandra Workwear (Overseas Holdings) Limited	Great Britain	Holding Company
Alexandra Workwear Manufacturing Limited	Great Britain	Dormant
Alexandra Workwear SA	Morocco	Manufacturing
Alexandra Corporate Clothing Limited	Great Britain	Dormant
Alexandra (Product Sourcing) Limited	Great Britain	Dormant
Clifton Workwear Limited	Great Britain	Dormant
POP Direct Mail Limited	Great Britain	Dormant
Trimline Overalls Limited	Great Britain	Dormant
Bristol Debt Collecting Services Limited	Great Britain	Dormant
Lionheart Designs Limited	Great Britain	Dormant
Atelius Corporate Clothing Limited	Great Britain	Dormant
Tungsten Limited	Great Britain	Dormant
Alexandra Workwear Limited	Great Britain	Dormant
Swiss Valley Embroidery Services Limited	Great Britain	Dormant
Corporate Apparel Limited	Irish Republic	Sales and Manufacturing
Alexandra Workwear (Ireland) Limited	Irish Republic	Dormant
Alexandra (North West) Limited	Great Britain	Sales and Manufacturing
Wearguard UK Limited	Great Britain	Dormant
JT's Corporation Limited	Great Britain	Sales and Manufacturing

Investments in subsidiaries are held directly by Alexandra plc except Alexandra BV, Alexandra SARL, Alexandra Workwear SA and Alexandra Workwear (Ireland) Limited which are held by Alexandra Workwear (Overseas Holdings) Limited.

The Company exercises dominant influence over the operations of JT's Corporation Limited, therefore its results are included in the consolidated accounts as a subsidiary.

The other investment relates to Roy Collins Leasing Limited (49% of share capital) which is registered in England. This is not accounted for as an associated undertaking as no significant influence is exercised over its activities which are immaterial to the Group. Therefore, only income received will be consolidated into the Group's results.

## 12. Capital commitments

	2005 £000	2004 £000
Contracted for	22	22

## 13. Stocks

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Raw materials and consumables	6,688	6,536	6,463	6,305
Work in progress	623	1,235	583	1,139
Finished goods and goods for resale	20,474	20,556	20,005	20,236
	<b>27,785</b>	28,327	<b>27,051</b>	27,680

**14. Debtors**

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade debtors	<b>16,142</b>	16,723	<b>14,750</b>	15,641
Amounts owed by Group undertakings	-	-	<b>2,444</b>	3,007
Other debtors	<b>1,263</b>	1,447	<b>944</b>	1,124
Prepayments and accrued income	<b>4,868</b>	5,420	<b>4,677</b>	5,191
	<b>22,273</b>	23,590	<b>22,815</b>	24,963

Included in prepayments and accrued income is £1,760,000 (2004: £2,203,000) which falls due after more than one year.

**15. Creditors: amounts falling due within one year**

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans and overdrafts (note 17)	<b>1,701</b>	6,245	<b>1,868</b>	6,820
Obligations under finance leases and hire purchase contracts (note 18)	<b>10</b>	9	-	-
Trade creditors	<b>10,632</b>	10,832	<b>9,668</b>	9,439
Amounts owed to Group undertakings	-	-	<b>4,330</b>	4,307
Other creditors	<b>242</b>	207	<b>179</b>	139
Corporation tax	<b>1,030</b>	1,229	<b>376</b>	837
Other taxes and social security	<b>1,322</b>	1,551	<b>1,181</b>	1,444
Accruals and deferred income	<b>3,784</b>	3,335	<b>3,515</b>	2,966
Proposed dividend	<b>1,168</b>	1,099	<b>1,168</b>	1,099
	<b>19,889</b>	24,507	<b>22,285</b>	27,051

**16. Creditors: amounts falling due after more than one year**

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Obligations under finance leases and hire purchase contracts (note 18)	<b>4</b>	12	-	-
Bank loans (note 17)	<b>9,750</b>	8,250	<b>9,750</b>	8,250
	<b>9,754</b>	8,262	<b>9,750</b>	8,250

# Notes to the Financial Statements – continued

## 17. Bank loans and overdrafts

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Due within one year	1,701	6,245	1,868	6,820
Due in the second year	500	5,500	500	5,500
Due in the third to fifth years inclusive	7,000	1,500	7,000	1,500
After five years	2,250	1,250	2,250	1,250
	<b>11,451</b>	14,495	<b>11,618</b>	15,070

As at 31 January 2005 a bank loan of £4,750,000 payable by installments, was secured on the Group's freehold land and buildings. This loan matures in 2014 and bears interest charges at 0.85% over the bank base rate. A series of cross guarantees exists between Alexandra plc and its subsidiaries.

## 18. Lease and hire purchase contracts

At 31 January 2005 the Group had annual commitments under operating leases as set out below:–

(i) annual rental commitments under non-cancellable operating leases of land and buildings:–

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Expiring:–				
Within one year	183	240	25	88
In the second to fifth years inclusive	455	650	438	565
After five years	2,250	1,911	2,184	1,911
	<b>2,888</b>	2,801	<b>2,647</b>	2,564

The majority of these leases are subject to rent reviews.

(ii) annual rental commitments under operating leases of plant and equipment:–

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Expiring:–				
Within one year	125	261	125	258
In the second to fifth years inclusive	815	827	802	813
	<b>940</b>	1,088	<b>927</b>	1,071

(iii) obligations under finance leases and hire purchase contracts:–

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Expiring:–				
Within one year	10	9	-	-
Due in the second year	4	9	-	-
Due in the third to fifth years inclusive	-	3	-	-
	<b>14</b>	21	-	-

## 19. Provisions for liabilities and charges

	Leasehold property provision £000	Deferred taxation £000	2005 Total £000	2004 Total £000
<b>Group</b>				
At 1 February 2004	105	756	861	805
Transfer (to) /from profit and loss account	63	(196)	(133)	67
Utilised in the year	(33)	-	(33)	(11)
<b>At 31 January 2005</b>	<b>135</b>	<b>560</b>	<b>695</b>	861
<b>Company</b>				
At 1 February 2004	105	819	924	854
Transfer (to) /from profit and loss account	63	(183)	(120)	81
Utilised in the year	(33)	-	(33)	(11)
<b>At 31 January 2005</b>	<b>135</b>	<b>636</b>	<b>771</b>	924

In accordance with FRS 12 the leasehold property provision relates to costs in respect of vacant properties and anticipated dilapidations. The details of the deferred taxation provision are given in note 20.

## 20. Deferred taxation

The provision for deferred taxation comprises:-

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Excess of capital allowances over depreciation	685	778	656	740
Tax losses	(96)	(101)	-	-
Pension	205	280	205	280
Other timing differences	(42)	-	(33)	-
Undiscounted provision for deferred tax	752	957	828	1,020
Discount	(192)	(201)	(192)	(201)
	<b>560</b>	756	<b>636</b>	819

The amount of tax on capital gains which would become payable in the event of disposal of the properties, at their current valuation, is in the region of £120,000 (2004: £120,000).

## 21. Share capital

	2005		2004	
	Number	£000	Number	£000
<b>Authorised Share Capital</b>				
Ordinary shares of 10p each	44,000,000	4,400	44,000,000	4,400
<b>Issued and Fully Paid Share Capital</b>				
Ordinary shares of 10p each	33,351,627	3,335	33,293,600	3,329

In addition to the options held by the Directors shown in the Report of the Directors' Remuneration on page 45, as at 31 January 2005 options for 68,027 shares exist for employees under the terms of the 1994 Executive Share Option Scheme. The options are exercisable between April 1998 and April 2005 at 122.8p per share in respect of 10,000 shares and between November 2005 and November 2012 at 51.7p per share in respect of 58,027 shares. Between 31 January 2005 and 12 May 2005 10,000 share options lapsed unexercised.

On 8 July 2004 58,027 ordinary shares were allotted to a member of the 1994 Executive Share Option Scheme at 51.7p per share.

## 22. Pension arrangements

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) are those required by that standard. In November 2000 the Accounting Standards Board issued FRS 17 'Retirement Benefits' which will become fully effective for periods beginning on or after 1 January 2005. Prior to this, certain disclosures are required in the transitional period, for periods ending on or after 22 June 2001. These additional disclosures are set out in (b).

### (a) Alexandra Pension Schemes

The Company operates two funded pension schemes in the UK. These are the Alexandra 1994 Pension Fund and the Alexandra Pension Fund. The Alexandra 1994 Pension Fund has both final salary and money purchase sections, although the money purchase section is relatively small. The assets of the schemes have been held in independently administered funds.

#### Alexandra Pension Fund

The contributions to this scheme are determined by a qualified Actuary on the basis of regular valuations using the Projected Unit method. The most recent valuation was at 5 April 2003 and the main assumption was the rate of return on investments of 4.7% per annum. The Fund contained two pensioners at the valuation date. At the valuation date, the market value of Fund assets was approximately £4.3 million and the funding level was 137%.

#### Alexandra 1994 Pension Fund

The contributions to the defined benefit part of this scheme are determined by a qualified Actuary on the basis of regular valuations using the Projected Unit method. The most recent formal valuation was at 5 April 2003 and the main assumptions were the rate of return on investments of 7.2%/4.7% (pre/post retirement) per annum and the salary increase rate of 4.7% per annum. Assets have been taken at market value. At the valuation date, the market value of Fund assets was approximately £20.3 million and the funding level was 66% on the funding method employed. The Company currently contributes at the rate of 7.4% of members' earnings plus a lump sum of £55,400 per month.

The total pension cost for the Group was £888,000 (2004: £819,000) of which £873,000 (2004: £792,000) relates to the UK company. A prepayment of £192,000 (2004: £234,000) which related to the implementation of SSAP 24 is included within debtors. At 31 January 2005 a prepayment in respect of contributions of £496,000 (2004: £934,000) is included in other debtors.

### (b) FRS 17: Retirement Benefits

Under FRS 17 the pension cost that would have been charged to operating profit for the year amounts to £412,000 (2004: £503,000). This charge is equal to the service cost of £360,000 (2004: £482,000) in respect of the defined benefit sections plus contributions of £52,000 (2004: £21,000) paid by the Company in respect of the defined contributions section of the Alexandra 1994 Pension Fund. Except where stated otherwise, the remainder of this FRS 17 pension note relates only to the defined benefit sections.

Full actuarial valuations were carried out at 5 April 2003 for both funds and updated to 31 January 2005 by a qualified Actuary. The main assumptions used by the Actuary were:-

	<b>2005</b> <b>(%p.a.)</b>	2004 (%p.a.)	2003 (%p.a.)
Rate of increase in salaries	<b>3.8%</b>	3.8%	4.0%
Rate of increase in LPI pensions in payment	<b>2.5%</b>	2.5%	2.5%
Discount rate	<b>5.6%</b>	5.8%	5.9%
Inflation assumption	<b>2.8%</b>	2.8%	2.5%

The assumptions used by the Actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

## 22. Pension arrangements - continued

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were:

	Long-term return expected at 31/01/2005 (%p.a.)	Fair Value at 31/01/2005 £000	Long-term return expected at 31/01/2004 (%p.a.)	Fair Value at 31/01/2004 £000	Long-term return expected at 31/01/2003 (%p.a.)	Fair Value at 31/01/2003 £000
Equities and Property	7.6%	23,758	7.9%	22,044	7.4%	16,200
Fixed Interest	5.1%	1,823	5.4%	1,798	4.9%	2,535
Index Linked Gilts	4.6%	4,489	4.9%	4,307	4.4%	4,288
Insured Annuities	5.8%	-	5.8%	-	5.9%	-
Cash and Other	4.8%	1,363	4.0%	194	4.0%	218
Defined Contribution Section	-	192	-	64	-	13
		<b>31,625</b>		28,407		23,254
Present value of liabilities		<b>(44,187)</b>		(37,995)		(34,358)
Deficit in the plan		<b>(12,562)</b>		(9,588)		(11,104)
Related Deferred Tax		<b>3,769</b>		2,876		3,331
Net Pension Liability		<b>(8,793)</b>		(6,712)		(7,773)

Had the Group adopted FRS 17 early, the net assets and profit and loss reserves would have been as follows:

Net Assets	2005 £000	2004 £000
Net assets excluding SSAP 24 pension asset and liability, net of related deferred tax	<b>30,899</b>	29,202
Pension liability	<b>(8,793)</b>	(6,712)
	<b>22,106</b>	22,490
<b>Reserves</b>	<b>2005 £000</b>	2004 £000
Profit and loss reserve excluding SSAP 24 pension asset, net of related deferred tax	<b>21,008</b>	19,277
Pension liability	<b>(8,793)</b>	(6,712)
Profit and loss reserve	<b>12,215</b>	12,565

It should be noted that the methodology and assumptions prescribed for the purposes of FRS 17 mean that the disclosures will be inherently volatile, varying greatly according to investment market conditions at each accounting date.

## 22. Pension arrangements - continued

Movement in deficit during the year	2005 £000	2004 £000
Deficit in scheme at beginning of the year	<b>(9,588)</b>	(11,104)
Movement in year:		
Current service cost	<b>(360)</b>	(482)
Employer contributions	<b>751</b>	729
Other finance (expense)/income	<b>(132)</b>	(499)
Actuarial gain/(loss)	<b>(3,233)</b>	1,768
Deficit in scheme at end of year	<b>(12,562)</b>	(9,588)

The Net Pension Liability after tax is £8,793,000 (2004: £6,712,000) made up of the liability of £9,859,000 (2004: £7,792,000) in respect of the Alexandra 1994 Pension Fund and a surplus of £1,066,000 (2004: £1,080,000) in respect of the Alexandra Pension Fund.

It should be noted that the defined benefit scheme is closed to new entrants and so the use of the projected unit valuation method required by FRS 17 means that the current service cost is likely to increase as members approach retirement.

On full compliance with FRS 17, on the basis of the above assumptions, the amounts that would have been charged to the consolidated profit and loss account and consolidated statement of total recognised gains and losses (STRGL) for the year ended 31 January 2005 are set out below:

### Analysis of the amount charged to operating profit

	2005 £000	2004 £000
Current service cost	<b>360</b>	482
Past service cost	-	-
Total operating charge net of employee contributions	<b>360</b>	482

### Analysis of the amount credited to other finance income

	2005 £000	2004 £000
Expected return on scheme assets	<b>2,056</b>	1,520
Interest on scheme liabilities	<b>(2,188)</b>	(2,019)
Net finance income	<b>(132)</b>	(499)

### Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	2005 £000	2004 £000
Actual return less expected return	<b>1,059</b>	3,583
Experience gains and losses	<b>(205)</b>	(86)
Changes in assumptions	<b>(4,087)</b>	(1,729)
Recognised actuarial (loss)/gain	<b>(3,233)</b>	1,768

## 22. Pension arrangements - continued

### History of experience gains and losses

	<b>2005</b> <b>£000</b>	2004 £000	2003 £000
Difference between actual and expected return on scheme assets	<b>1,059</b>	3,583	(7,120)
% of scheme assets	<b>3%</b>	13%	(31%)
Experience gains and losses on scheme liabilities	<b>(205)</b>	(86)	481
% of scheme liabilities	<b>0%</b>	0%	1%
Total amount recognised in statement of total recognised gains and losses	<b>(3,233)</b>	1,768	(8,029)
% of scheme liabilities	<b>(7%)</b>	5%	(23%)

## 23. Reserves

	Profit and loss account £000	General capital reserve £000	Capital re- demption reserve £000	Profit on exchange £000	Share premium £000	Re- valuation reserve £000	Total £000
<b>Group</b>							
At 1 February 2004	<b>20,165</b>	<b>980</b>	<b>55</b>	<b>1,398</b>	<b>1,800</b>	<b>2,358</b>	<b>26,756</b>
Profit for the year	<b>1,436</b>	-	-	-	-	-	<b>1,436</b>
Increase in share capital	-	-	-	-	<b>24</b>	-	<b>24</b>
Exchange difference for year	-	-	-	<b>2</b>	-	<b>1</b>	<b>3</b>
<b>At 31 January 2005</b>	<b>21,601</b>	<b>980</b>	<b>55</b>	<b>1,400</b>	<b>1,824</b>	<b>2,359</b>	<b>28,219</b>
<b>Company</b>							
At 1 February 2004	<b>33,847</b>	<b>980</b>	<b>55</b>	<b>1,413</b>	<b>1,800</b>	<b>2,308</b>	<b>40,403</b>
Increase in share capital	-	-	-	-	<b>24</b>	-	<b>24</b>
Profit for the year	<b>804</b>	-	-	-	-	-	<b>804</b>
<b>At 31 January 2005</b>	<b>34,651</b>	<b>980</b>	<b>55</b>	<b>1,413</b>	<b>1,824</b>	<b>2,308</b>	<b>41,231</b>

The cumulative amount of goodwill resulting from acquisitions made in earlier financial years, which has been written off to reserves is £65,000 (2004: £65,000).

## 24. Related party transactions

Details of related party transactions which took place during the year are given in the Report on the Directors' Remuneration on pages 42 to 45.

# Notes to the Financial Statements – continued

## 25. Reconciliation of operating profit

Reconciliation of operating profit to net cash flow from operating activities:-

	2005 £000	2004 £000
Operating profit	5,637	5,250
Depreciation of tangible fixed assets	1,551	1,590
Amortisation of goodwill	32	27
Decrease in stock	554	245
Decrease / (increase) in debtors	1,349	(337)
Increase in creditors	5	1,648
Foreign exchange translation difference	(37)	(72)
<b>Net cash inflow from operating activities</b>	<b>9,091</b>	<b>8,351</b>

## 26. Reconciliation of net cash flow to movement in debt

	2005 £000	2004 £000
Decrease in cash in the period	(795)	(2,598)
Cash outflow from decrease in debt	3,845	7,966
Change in net debt resulting from cash flows	3,050	5,368
Translation difference	1	(20)
Movement in net debt in the period	3,051	5,348
Net debt at 31 January 2004	(14,516)	(19,864)
<b>Balance at 31 January 2005</b>	<b>(11,465)</b>	<b>(14,516)</b>

## 27. Analysis of net debt

	Cash at bank and in hand £000	Debt due within 1 year £000	Debt due after 1 year £000	Total £000
At 31 January 2004	3,843	(10,097)	(8,262)	(14,516)
Decrease in cash	(795)	-	-	(795)
Decrease in debt	-	5,338	(1,493)	3,845
Non cash movement	1	-	-	1
<b>At 31 January 2005</b>	<b>3,049</b>	<b>(4,759)</b>	<b>(9,755)</b>	<b>(11,465)</b>

	Cash at bank and in hand £000	Debt due within 1 year £000	Debt due after 1 year £000	Total £000
At 31 January 2003	6,460	(14,802)	(11,522)	(19,864)
Decrease in cash	(2,598)	-	-	(2,598)
Decrease in debt	-	4,705	3,261	7,966
Non cash movement	(19)	-	(1)	(20)
At 31 January 2004	3,843	(10,097)	(8,262)	(14,516)

Debt includes finance lease obligations.

## 28. Derivatives and financial instruments

An explanation of the Group's objectives, policies and strategy relating to derivatives and financial instruments can be found in the Financial Review on pages 7 to 9.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures.

### Interest rate and currency borrowings

The currency and interest rate exposure of the Group's net financial liabilities at 31 January 2005 were as follows:-

	2005			2004		
	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000
Currency						
Sterling	12,523	12,523	-	13,040	13,040	-
Moroccan Dirhams	2	2	-	44	44	-
US Dollars	274	274	-	59	59	-
Euro	(1,333)	(1,347)	14	1,375	1,354	21
Other	(1)	(1)	-	(2)	(2)	-
	<b>11,465</b>	<b>11,451</b>	<b>14</b>	14,516	14,495	21

Floating rate borrowings consist of bank loans and overdrafts, and draw downs under the Group's revolving acceptance credit and LIBOR revolving credit facilities. These financial liabilities bear interest based on either bank base rate or LIBOR. Fixed rate financial instruments comprise finance leases with interest rates ranging up to 10.5%.

The interest rate exposure of the Group has been further managed by the purchase of an interest rate cap and interest rate swap with a notional principal of £5.0 million (2004: £5.0 million). The interest rate cap is for a period of two years, maturing on 7 February 2005 at a strike rate of 4.5% p.a. The interest rate swap with a fixed rate of 4.97% p.a. is effective from 7 February 2005 to 7 February 2013.

The Group has no financial assets other than long term debtors of £1,760,000 (2004: £2,203,000) which are non interest bearing.

### Borrowing facilities

The Group has the following undrawn committed bank facilities at 31 January 2005:-

	2005 £000	2004 £000
Expiring in one year or less - subject to annual review	8,600	13,700
Expiring between two and five years	4,500	-
	<b>13,100</b>	13,700

The maturity of the Group's borrowings are as set out in notes 17 and 18.

## 28. Derivatives and financial instruments - continued

### Fair values

Set out below is an analysis by category of book values and fair values of the Group's financial instruments at 31 January 2005.

	2005		2004	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Derivative financial instruments held to hedge currency exposure on expected future sales and purchases				
Forward currency contracts	-	(99)	-	(254)
Primary financial instruments:				
Short term borrowings including finance leases	(1,711)	(1,711)	(6,254)	(6,254)
Long term borrowings including finance leases	(9,754)	(9,754)	(8,262)	(8,262)
Financial assets	1,760	1,760	2,203	2,203
	<b>(9,705)</b>	<b>(9,804)</b>	(12,313)	(12,567)

The fair value of forward contracts is determined using market values at 31 January 2005.

### Currency exposures and hedges

The Group operates a hedging policy whereby the uncertainty of non sterling costs is substantially reduced by using forward exchange contracts. Currency exposure on future expected sales and purchases is hedged through the use of forward exchange contracts. Gains and losses on instruments used for hedging are not recognised until the exposure that has been hedged is itself recognised. At the year end the Group had forward contracts, all maturing within 12 months, amounting to a sterling equivalent of £5,850,000 (2004: £3,551,000). These were denominated in U.S. Dollars for both 2005 and 2004.

The Group has overseas subsidiaries and branches where assets and liabilities are denominated in foreign currencies. The Group's objective is to minimise its exposure to fluctuations in foreign currencies by the use of hedging where it is commercially viable except that working capital requirements are partly financed through sterling intercompany balances.

## 29. Post balance sheet event

After the balance sheet date Alexandra plc acquired 100% of the share capital of Prima Corporate Wear Limited for £3,990,000. Further details of the transaction can be found in the Chief Executive's review on page 5.

# Corporate Governance

The Group manages its affairs in accordance with the principles of corporate governance contained in the Combined Code on Corporate Governance issued by the Financial Services Authority in July 2003 ("2003 Code").

This statement describes how the principles of Good Governance have been applied to the Group, including both the main Principles and the Supporting Principles as described in section 1 of the 2003 Code. This should be read in conjunction with the Report on the Directors' Remuneration, which covers the Principles on Directors' remuneration.

The Group has been in full compliance with the provisions set out in Section 1 of the 2003 Code throughout the year except where indicated below.

## Directors

The Board currently comprises three Executive and two Non-Executive Directors. Their details including information on their backgrounds are set out on page 10. These details demonstrate a wide range of experience and in the case of the Non-Executive Directors independence which are invaluable in the Board's deliberations. Mr C Marsh was appointed as Non-Executive Director of Framlington AIM VCT Plc during the year. This will not have any significant impact on his commitment to the Group. Mr R Wynn-Jones, who was appointed Deputy Chairman on 18 April 2000, is the senior independent Non-Executive Director. Mr Wynn-Jones was first appointed to the Board on 7 February 1995, and has now served on the Board for 10 years. The Chairman and the Board considers that despite this length of service, Mr Wynn-Jones remains fully independent and following consideration of his performance believes that he can and will continue to provide a valuable contribution to the operation of the Board. The Directors consider that the current size of the Board is appropriate for the requirements of the business.

During the year following the resignation of Mr R Lakhani on the 8 December 2004 and until the appointment of Mr J Tucker on 2 February 2005 there were only two Executive and two Non-Executive Directors.

There is a clear delineation of responsibility between the Chairman, Chief Executive and the other Directors. The Chairman is responsible for the effective running of the Board whilst the Chief Executive is responsible for operating the business and implementing the Board's strategies and policies.

Directors have the right to seek independent professional advice in the furtherance of their duties at the Company's expense. In addition all the Directors have access to the advice and services of the Company Secretary.

The business of the Group is managed by the Board of Directors, which met formally eleven times during the year. All Directors attended all meetings. The meetings follow a formal agenda covering matters specifically reserved for decision by the Board. These include key areas of the Group's affairs such as overall strategy, organisational and compliance issues, acquisition policy, approval of annual and interim results and budgets, major capital expenditure programmes and financing issues. The Board also reviews trading performance and receives regular reports and presentations on all aspects of the business. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all Directors in advance of the Board meetings. In addition, there is frequent contact between meetings to progress the Group's business.

The Executive management team have the responsibility of implementing the strategies and policies determined by the Board and monitoring of operational and financial performance against budgets and forecasts.

During the year to 31 January 2005 there were a number of changes to the composition of the Board. As a result the Group has not conducted performance evaluations of the Board, its committees and the individual Directors during the year. However the contribution by the Directors to the Board and its Committees was in line with expectations. Plans are in place for the Group to comply with the performance evaluation requirements in the financial year ending 31 January 2006.

In accordance with the Company's Articles of Association one-third of the Directors submit themselves for re-election each year at the Annual General Meeting, so that each Director seeks re-election at least triennially. New Directors appointed during the year and Non Executive Directors who are not independent or who have served for greater than nine years seek re-appointment at the next Annual General Meeting.

The Board has appointed two formal committees: the Audit Committee and the Remuneration Committee, each of which operate within clearly defined terms of reference.

Due to its size, the Board does not consider a permanent Nomination Committee to be appropriate, instead such a Committee is formed as required to assess candidates for appointment as a Director. A nomination committee comprising of Mr C A Marsh, Mr R T Wynn-Jones, Mr J R Budd and Mr R Lakhani was formed in July 2004 to consider the appointment of a new Finance Director. Mr K P Gibbs had been employed by the Group since March 2004 and had demonstrated that he possessed the required skills and competencies for this role and was recommended by the Nomination Committee for appointment to the Board. A Nomination Committee comprising Mr C A Marsh, Mr R T Wynn-Jones, Mr J R Budd and Mr K P Gibbs was formed in November 2004 to consider the appointment of a new Sales Director. Mr J A Tucker had been employed by the Group since November 2003 and had demonstrated the management and experience required and was recommended by the Nomination Committee to be appointed as Sales Director designate in November 2004 and then following a review of performance in this role, as Sales Director in February 2005. In both instances Mr Marsh chaired the Committees. The Board accepted the two nominations made by the Committee.

## Directors' remuneration

The Remuneration Committee is chaired by Mr C A Marsh. It comprises the Non-Executive Directors and met three times last year. All members attended every meeting. The Committee determines the contract terms, remuneration and other benefits of each of the Executive Directors. The Chief Executive normally participates in the discussions of the Remuneration Committee except when his own performance or remuneration is under review. Where appropriate, the Committee takes advice from external remuneration consultants. The Board determines the remuneration of the Non-Executive Directors. The Report on the Directors' Remuneration is set out on pages 42 to 45.

As noted in the Report on the Directors' Remuneration, the Company does not comply with Code provision B.1.6 which recommends that Directors' contract periods should be set at one year or less.

## Relations with Shareholders

The Group encourages communication with both its institutional and private Shareholders. The Chairman, Chief Executive and Finance Director undertake a formal programme of presentations to both Shareholders and prospective Shareholders in the periods following the announcement of its full year and interim results and other appropriate times during the year. The Board is of the opinion that additional routine meetings with the Senior Independent Director would not assist further in the dialogue with Shareholders. However the Senior Independent Director is available to meet with Shareholders at their request.

In addition to the circulation of external brokers' reports to the Board feedback is provided to the Board on any issues raised by the Shareholders at these meetings.

All Directors are normally present to answer questions at the Annual General Meeting.

## Accountability and audit

The Board seeks to ensure that its Annual Report and other public financial statements provide a clear assessment of the Group's position. On the basis of the current financial projections and facilities available, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider it is appropriate to adopt the going concern basis in preparing the financial statements.

The Directors have responsibility for the Group's systems of internal control and for regularly reviewing their effectiveness. It is recognised that such a system is designed to manage rather than eliminate the risk of business objectives not being achieved and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been established and was operational throughout the year to 31 January 2005. The process is regularly reviewed by the Board and accords with the "Internal Control - Guidance for Directors on the Combined Code" produced by the Turnbull working party.

The management of all forms of business risk is an important part of ensuring the Group creates and protects value for its Shareholders. The processes involved call for the identification of specific risks in many different areas, the assessment of those risks in terms of their potential impact, the likelihood of them materialising and then decisions as to the most appropriate method of managing them. The latter may include regular monitoring, investment in additional resources, transfer to third parties via insurance or hedging agreements and contingency planning.

The Board has reviewed the need for an internal audit function and has concluded that sufficient internal controls exist within the Group and that the operation is not large enough to warrant a dedicated internal audit function. However, the Group did undertake a number of specific audit procedures during the course of the year.

### **Audit Committee**

The Audit Committee which is chaired by Mr C A Marsh, and comprises the Non-Executive Directors, met twice during the year. All members attending every meeting. Other Board members attended the Committee meetings at the invitation of the Committee Chairman. Mr C A Marsh is considered to have the recent and relevant financial experience required for this role.

The Committee is responsible for reviewing a wide range of matters including the half year and annual financial statements before submission to the Board, corporate public announcements prior to their release and for monitoring the controls which are in place to ensure the integrity of information reported to the Shareholders. The Audit Committee advises the Board on the appointment and remuneration of the external auditors and discusses the nature, scope and results of the audit with the external auditors. In addition the Committee reviews the performance of the Company's external auditors, Solomon Hare LLP and the effectiveness of their audit process.

The Committee regularly monitors the non-audit services being provided by the external auditors to ensure their objectivity and independence is not compromised. During the year the non-audit work carried out included tax compliance and due diligence on potential acquisitions.

The Committee is of the opinion that the nature of this work does not prejudice the auditors' independence and objectivity and accordingly a resolution to re-appoint Solomon Hare LLP will be proposed at the next Annual General Meeting.

### **Corporate and social responsibility**

We believe that sound social, ethical and environmental practices make good business sense and have embraced these principles into our general operations.

Alexandra plc is committed to providing equal opportunities irrespective of sex, age, marital status, disability, sexual orientation, race, colour, ethnic or national origin or religious belief. Our employment policies provide a structure in which our staff can develop and achieve their ambitions and are regularly reviewed to ensure compliance with current employment legislation and good practice.

We recognise that we are part of all the individual communities that we serve as well as of the wider national community. As such, we encourage and support a number of charitable initiatives and sponsor staff fundraising efforts for a variety of causes.

The Group's operations are executed at all times in such a way as to ensure, so far as reasonably practical, the Health, Safety and Welfare of all of our employees and all other persons who may be affected by our operations. We are committed to the prevention of accidents and regularly review and update procedures and training to ensure that, as far as possible, staff minimise any risks associated with their tasks.

All areas of the Group operate in accordance with the Group's Environmental Policy. We recognise the impact of our operations on the environment and our aim is to reduce this impact and to operate in an environmentally responsible manner. The Group and its employees undertake to act whenever necessary to meet the standards of current environmental legislation and continue to review the policies, systems and services to this end. All waste generated is properly disposed of in accordance with current legislation and steps are taken to recycle waste wherever practical.

The Group requires its suppliers to comply with the ethical and environmental standards detailed in our quality manual and performs checks on them using our own staff and also employs independent consultants to carry out audits. The Group will only purchase from companies that meet core minimum requirements and are prepared to work towards continuous improvement in their operations.

# Report on the Directors' Remuneration

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This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations"). It has been approved by the Directors and will be put to the shareholders for approval at the Annual General Meeting on 28 June 2005.

The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

## Information not subject to audit

The remuneration policy for Directors is set by the Board and is described below. It is determined by the Remuneration Committee within the framework of this policy. The remuneration of Executive Directors is determined by the Remuneration Committee which consists entirely of Non-Executive Directors. The Committee comprises Mr C A Marsh and Mr R T Wynn-Jones and is chaired by Mr C A Marsh.

The Committee consults with Mr J R Budd, the Chief Executive, as appropriate with regard to its proposals relating to the remuneration of the Executive Directors.

## Remuneration policy

The policy of the Committee is to review the Executive Directors' remuneration based on market practice within the Company's market sector. The Group wishes to attract, motivate and retain key executives. Accordingly, its policy is to design remuneration packages which, through an appropriate combination of basic salary, long term incentive plan, performance related bonuses, share options, pension arrangements and certain benefits, reward executives fairly and responsibly for their individual contributions, whilst linking their potential earnings to the performance of the Group as a whole. The overall package, which will be reviewed on a regular basis, may contain the following elements:-

### **(a) Basic salaries**

Basic salaries for Executive Directors are reviewed annually by the Committee and are set at levels which reflect their performance, degree of responsibility, achievement of objectives and ensure that they are competitive with pay for Executive Directors holding equivalent positions in comparable companies.

### **(b) Long term incentive plan**

The Remuneration Committee propose the introduction of a Long Term Incentive Plan to align the interests of Shareholders and Executives more closely, to drive performance of the business forward over the short to medium term, to lock in key Executives and to motivate them through the opportunity to earn significant financial rewards on the achievement of demanding performance targets.

The key features are :- cash bonuses to be paid based on achievement of adjusted market capitalisation targets as a measure of total shareholder return, with an earnings per share based underpin; bonuses will be paid in three annual tranches, with payments in years two and three adjusted if the Company under performs in those years; a proportion of the bonus must be reinvested in Company shares each year and these shares cannot be disposed of for at least two years; the maximum payable in any one financial year (including accruals tranches from previous years ) will be set at 1.5 times base salary.

A summary of the plan is included on pages 49 and 50.

### **(c) Performance related bonus**

The Committee can award discretionary bonuses, which are linked to the achievement of demanding individual, business and corporate objectives.

### **(d) Pensions benefits**

Mr J R Budd is a member of the Alexandra 1994 Pension Fund and receives defined benefits under the Fund. For Mr J R Budd, pensionable salary is based on gross taxable remuneration excluding performance related bonus.

The Alexandra 1994 Pension Fund provides pensions of up to two-thirds of final pensionable salary, dependent on length of service. In addition, life assurance of up to four times basic salary and a pension of one half of the member's entitlement for spouses on their death in service are provided apart from Mr J R Budd where the benefit is two thirds. Pensions increase in retirement in line with the Retail Price Index to a maximum of 5% per annum.

Details of the Directors' accrued pensions are shown on page 44.

As the defined benefit scheme is closed to new entrants, the Company contributes 7.5% of basic salary for Mr K Gibbs to the Alexandra's Retirement Benefit Scheme. During the year the Company paid £4,000 into the pension scheme for Mr K Gibbs. Company contributions of £2,000 were paid into Mr R Michell's personal pension scheme.

#### (e) Executive Share Option Scheme

The Executive Share Option Scheme was adopted on 30 November 1984 and renewed at the Annual General Meeting on 6 June 1994. Share options held by Directors are set out on page 45. No share options were granted to the Executive Directors during the year.

There are no specific performance criteria as the Committee considered that the movement in share price would reflect the performance of the Company.

#### (f) Other benefits

Other benefits include the provision of a company car (or car allowance in lieu of a car) and private health insurance.

#### (g) Non-Executive Directors

The Non-Executive Directors are independent of management and have no relationship which could materially interfere with the exercise of their independent judgement. The remuneration of the Non-Executive Directors is decided by the Executive Directors on advice from relevant external organisations. They are not eligible for performance related remuneration or other benefits.

### Service contracts

Mr J R Budd has a service contract terminable by the Company on two years notice. The Remuneration Committee considers that this contract is essential to retain and motivate a Director who has considerable experience and service within this industry. The Board does not intend to reduce this notice period. Mr K P Gibbs and Mr J A Tucker have twelve month rolling contracts.

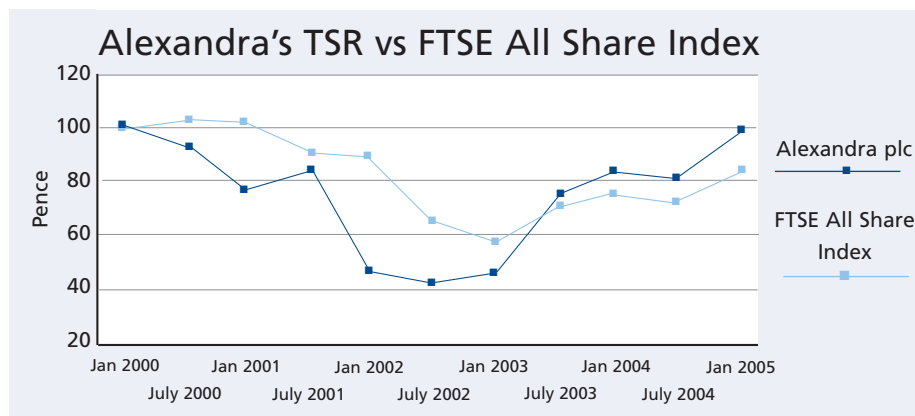
The Non-Executive Directors are on twelve months fixed term contracts which expire as follows:-

Mr R T Wynn-Jones - 30 September 2005  
Mr C A Marsh - 31 March 2006

### Total shareholder return

The Directors' Remuneration Report Regulations 2002 require the presentation of a performance graph of the total shareholder return (TSR) compared to a comparator for a period of five years. The FTSE All Share Index has been selected as it is widely based and Alexandra supplies clothing to a wide range of industries.

TSR is shown as the value of £100 invested in Alexandra and in the FTSE All Share Index over the five year period. TSR is calculated for each half year relative to the base date of 1 February 2000 by taking the percentage change of the market price over the relevant period and reinvesting any dividends at the ex-dividend date.



# Report on the Directors' Remuneration - continued

## Information subject to audit

### Directors' remuneration

The remuneration of the individual Directors was as follows:-

	Salary and fees £000	Taxable benefits £000	Bonus £000	Pension contri- butions £000	2005 Total £000	2004 Total £000
<b>Executive Directors</b>						
J R Budd	198	1	32	39	270	258
K Gibbs (appointed 8 July 2004)	62	1	-	4	67	-
R Michell (resigned 8 July 2004)	40	-	-	2	42	112
R Lakhani (resigned 8 December 2004)	101	-	18	15	134	150
<b>Non-Executive Directors</b>						
R T Wynn-Jones	20	-	-	-	20	20
C A Marsh	41	-	-	-	41	13
	<b>462</b>	<b>2</b>	<b>50</b>	<b>60</b>	<b>574</b>	553
Directors employed by the Group during 2004 but not 2005					-	159
					<b>574</b>	712

In addition to his emoluments shown above, a termination payment of £48,000 was paid to Mr R Michell.

### Directors' pensions

The following summary shows the amounts of accrued pension entitlements and the changes therein. These pension entitlements are calculated using the cash equivalent transfer value method, which is the method adopted in the Listing Rules of the Financial Services Authority.

	Total accrued pension as at 31 January 2005 £000	Increase accrued pension during the period £000	Total accrued pension as at 31 January 2004 £000	Transfer value at 31 January 2005 £000	Increase transfer value less Director's contributions £000	Transfer value at 31 January 2004 £000
J R Budd	94	5	86	1,545	242	1,254
R Lakhani (resigned 8 December 2004)	7	1	6	82	19	56

The accrued pension figures relate to the Alexandra 1994 Pension Fund. The increase in accrued pension during the period excludes any increase for inflation.

### Directors' interests

The Directors who held office at 31 January 2005 had the following beneficial interests in the Company's share capital:-

	2005				2004	
	12 May		31 January		31 January*	
	Shares	Options	Shares	Options	Shares	Options
J R Budd	59,169	58,027	59,169	58,027	59,169	58,027
K Gibbs	10,000	-	10,000	-	-	-
C A Marsh	65,000	-	65,000	-	50,000	-
R T Wynn-Jones	5,000	-	5,000	-	5,000	-

\* or date of appointment

The share options noted above were granted on 5 November 2002 under the Executive Share Option Scheme as approved by the shareholders at the AGM held on the 6 June 1994 and are exercisable as follows:

	As at 31	As at 31	Exercise	Earliest Date	Latest Date
	January	January			
	2005	2004	Price (p)	for Exercise	for Exercise
J R Budd	58,027	58,027	51.7	November 2005	November 2012

Exercise of the options is not dependent on any specific pre-determined criteria. On 1 March 2004 58,027 options held by M Foyle lapsed, 6 months after he left the Company. 58,027 ordinary shares were allotted to Mr R Michell under the terms of the Executive Share Option Scheme on 8 July 2004 at 51.7p per share. Apart from this no other options allotted to Directors lapsed unexercised or were exercised during the year or up to 12 May 2005.

The market price of the Company's shares at 31 January 2005 was 109.5p (2004: 95p). The share price traded within the range from 86p to 112.5p during the financial year.

Mr R T Wynn-Jones is a partner in Burges Salmon, Solicitors, who were paid £nil (2004: £10,000) on normal commercial terms for legal services in the period. Subject to this point, no Director had any interests in any contracts.

On behalf of the Board

C A Marsh  
Chairman  
25 May 2005

# Five Year Financial Record

	2001	2002	2003	2004	2005
	£000	£000	£000	£000	£000
<b>Profit and loss accounts</b>					
Turnover	72,156	74,462	73,382	70,410	<b>70,723</b>
Gross margin	31,352	29,985	28,818	27,377	<b>27,803</b>
Trading profit	7,615	3,266	5,248	5,250	<b>5,637</b>
Profit/(loss) on disposal of fixed assets	-	-	(101)	165	<b>(47)</b>
Non-trading exceptional items - Note 4	(1,494)	-	-	-	<b>-</b>
Profit before taxation	5,052	2,043	3,883	4,441	<b>4,673</b>
Taxation (current and deferred)	1,574	528	1,147	1,407	<b>1,469</b>
Profit on ordinary activities after taxation	3,478	1,515	2,736	3,034	<b>3,204</b>
Dividends	2,697	1,532	1,532	1,665	<b>1,768</b>
Retained profit/(loss)	781	(17)	1,204	1,369	<b>1,436</b>
<b>Balance sheets</b>					
Fixed assets	17,610	15,791	13,825	11,803	<b>11,834</b>
Current assets	47,598	54,654	51,741	51,917	<b>50,058</b>
Total assets	65,208	70,445	65,566	63,720	<b>61,892</b>
Less: current and deferred liabilities	37,327	43,053	37,047	33,630	<b>30,338</b>
Net assets	27,881	27,392	28,519	30,090	<b>31,554</b>
Borrowings net of cash	13,961	21,959	19,864	14,516	<b>11,465</b>
Increase/(decrease) in borrowings net of cash	3,976	7,998	(2,095)	(5,348)	<b>(3,051)</b>
<b>Statistics</b>					
Gross margin	43.5%	40.3%	39.3%	38.9%	<b>39.3%</b>
Trading profit	10.6%	4.4%	7.2%	7.5%	<b>8.0%</b>
Gearing	50.1%	80.2%	69.7%	48.2%	<b>36.3%</b>
Earnings per share - Basic (Note 1)	10.3p	4.6p	8.2p	9.1p	<b>9.6p</b>
Earnings per share - Adjusted (Note 1)	13.4p	4.6p	8.4p	8.7p	<b>9.7p</b>
Net assets per share (Note 2)	82.8p	82.3p	85.7p	90.4p	<b>94.7p</b>
Return on shareholders' funds (Note 3)					
– trading profit basis	27.8%	11.8%	18.8%	17.9%	<b>18.3%</b>
– net basis	12.7%	5.5%	9.8%	10.4%	<b>10.4%</b>

## Notes

- Earnings per share (basic) have been calculated throughout on the profit on ordinary activities after taxation and on the weighted average number of shares in issue during the year. For earnings per share (adjusted) the profit on ordinary activities after taxation has been adjusted for the exceptional items and profit/(loss) on disposal of fixed assets with tax thereon at the appropriate rate.
- Net assets per share have been calculated throughout on the net assets each year and the weighted average number of shares in issue during the year.
- Return on shareholders' funds has been calculated on the average net assets each year.
- The exceptional items in 2001 related to the costs of production rationalisations and reorganisations.

# Notice of Meeting

Notice is hereby given that the Annual General Meeting of Alexandra plc will be held at Alexandra plc, London Business Clothing Centre, 3 Hanover Square, London, W1S 1HD on 28 June 2005 at 11 am for the following purposes:-

## As ordinary business:-

1. To receive and consider the Directors' Report and the audited financial statements of the Company for the year ended 31 January 2005 together with the Report of the Independent Auditors;
2. To consider and approve as an Ordinary Resolution the Report on the Directors' Remuneration set out on pages 42 to 45 of the Report and Accounts for the year ending 31 January 2005;
3. To declare a final dividend of 3.5p per ordinary share;
4. To re-elect Mr J R Budd who retires by rotation pursuant to Article 95 of the Company's Articles of Association and who, being eligible, offers himself for re-election as a Director of the Company;
5. To elect Mr K P Gibbs who, having been appointed during the year, retires pursuant to Article 101 of the Company's Articles of Association and who, being eligible, offers himself for election as a Director of the Company;
6. To elect Mr J A Tucker who, having been appointed during the year, retires pursuant to Article 101 of the Company's Articles of Association and who, being eligible, offers himself for election as a Director of the Company;
7. To re-elect Mr R T Wynn-Jones who, having served for over nine years as a Non-Executive Director, retires in accordance with provision A.7.2. of the Combined Code and who, being eligible offers himself for re-election as a Director of the Company;
8. To re-appoint Solomon Hare LLP as Auditors of the Company;
9. To authorise the Directors to fix the remuneration of the Auditors;

As special business to consider and, if thought fit, to pass the following Resolutions, in the case of 10 and 11 as an Ordinary Resolution and in the case of 12 and 13 as Special Resolutions:-

## Ordinary resolutions

10. THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") and in substitution for any existing power to allot relevant securities to exercise all powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,064,837, representing 31.93% of the issued share capital, such authority to expire on the day preceding the fifth anniversary of the passing of this resolution, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.
11. THAT the Alexandra plc Long Term Incentive Plan 2005 in the form of the rules produced in draft to the Meeting and signed by the Chairman for the purposes of identification, as summarised in the explanatory notes attached to this notice, be and the same is hereby approved, and the Directors be and they are hereby authorised to do all acts and things as may be necessary to carry the same into effect.

## Special resolutions

12. THAT the Directors be and they are hereby authorised pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot for cash equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred by Resolution 10 above as if Sections 89(1) and 90(1)-(6) inclusive of the Act did not apply to any such allotment provided that such power is limited to the allotment of equity securities:-
  - (i) in connection with or the subject of an offer or invitation of securities, open for acceptance for a period fixed by the Directors, by way of rights to holders of Ordinary Shares on the register of the Company in proportion (as nearly as may be), to their holdings on a date fixed by the Directors (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with problems under the laws of any territory or in connection with fractional entitlements or otherwise howsoever); and

# Notice of Meeting – continued

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- (ii) otherwise than pursuant to (i) above up to an aggregate nominal amount of £166,758, representing 5% of the Company's issued share capital;

PROVIDED always that the authority conferred by this Resolution 12 shall expire 15 months from the date of passing this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company held in 2006 and that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements.

13. THAT the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of Ordinary Shares of 10 pence each of the Company provided that:-
- (i) the maximum number of Ordinary Shares hereby authorised to be acquired is 3,301,811 (representing 9.9 per cent of the Company's issued ordinary share capital);
  - (ii) the minimum price which may be paid for any such share is 10 pence (exclusive of expenses);
  - (iii) the maximum price (exclusive of expenses) which may be paid for any such share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the share is contracted to be purchased; and
  - (iv) the authority hereby conferred shall expire 15 months from the date of this Resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2006, except that a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter, and a purchase of shares may be made in pursuance of any such contract.

Registered Office  
Alexandra House  
Thornbury  
Bristol BS35 2NT

By Order of the Board,  
P M Rosser  
Secretary  
25 May 2005

#### NOTES:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only persons appearing in the Register of Members of the Company 48 hours prior to the meeting shall be entitled to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting may appoint another person, whether a member or not, as his or her proxy to attend and, on a poll, to vote on his or her behalf. To be effective, a form of proxy must be deposited at the Company's Registrars, Computershare Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH not less than 48 hours before the time fixed for the meeting. A pre-paid form of proxy accompanies this notice.
3. The following documents will be available for inspection at the Registered Office during usual business hours on any weekday (Saturdays and Public Holidays excluded) until the date of the meeting and at the place of the meeting for at least 15 minutes prior to the meeting until the conclusion of the meeting:-
  - (i) the Register of Directors' interests; and
  - (ii) copies of the Directors' service contracts with the Company.
4. The rules of the proposed Long Term Incentive Plan will be available for inspection at the offices of Osborne Clarke, One London Wall, London, EC2Y 5EB on any weekday during normal business hours up to and including the date of the Annual General Meeting, and for a period of 15 minutes prior to the meeting and during the meeting.

# Long Term Incentive Plan

## Summary of the proposed Alexandra plc Long Term Incentive Plan 2005 (the "Plan")

The principal features of the Plan are summarised as follows:-

**(a) General**

The Plan will be operated by the Company's Remuneration Committee (the "Committee"). The Committee may operate the Plan (if approved) for the financial year 2005/6 and for the subsequent four financial years.

**(b) Eligibility**

All employees and directors of the Company and its subsidiaries who are required to devote to their duties the whole or substantially the whole of their working time will be eligible to participate in the Plan. In practice participation will only be extended to Executive Directors and a limited number of senior executives.

**(c) Basis of Awards**

Participants will be awarded annual bonuses calculated on the basis of a percentage of the Company's increase in adjusted market capitalisation over the relevant financial year. Participants will be notified of their percentage entitlement by the Committee. No bonus will be awarded in any financial year unless that Committee has determined that there has been an improvement in the underlying performance of the Company. This shall be determined by reference to an earnings per share target under which the annual increase in adjusted earnings per share must exceed RPI plus 3%. In the event that the market capitalisation figure is negative but the earnings per share underpin has been achieved, the Committee shall have the power to make discretionary bonus awards on such basis as it determines appropriate.

**(d) Payment of Bonus**

Subject to the reinvestment requirements and the participant remaining in service, any bonus declared at the end of a financial year will be payable in three equal installments, the first payable within four weeks of the announcement of the annual results, with the remaining second and third installments payable following the announcement of results in the two succeeding financial years (the "Payment Period"). The accrued but unpaid installments will be reduced if there is a subsequent fall in the adjusted market capitalisation of the Company.

**(e) Reinvestment of Bonus**

Participants will be required to invest 25% of their net bonus in shares in the Company ("Reinvestment Shares"), within three months of receiving the bonus payment, except where the relevant Participant already holds shares equal in value to 50% of their base salary, at the date of calculation of the adjusted market capitalisation each year. Reinvestment Shares must be held in the Plan and may not be sold, transferred, pledged or otherwise assigned for a minimum period of two years (the "Holding Period"). Participants will however retain full beneficial rights in respect of their Reinvestment Shares during the Holding Period, including dividend and voting rights.

**(f) Maximum entitlement**

The maximum bonus payable in any one financial year will not exceed one and a half times the participant's base salary for that financial year.

**(g) Cessation of office or employment**

In the event that a participant gives notice of termination of office or employment or is summarily dismissed during the Payment Period, no further bonus shall be payable in respect of that or any subsequent financial year. Any accrued entitlements in any previous financial years will be forfeited.

In the event that a participant ceases office or employment for any other reason no further bonus shall be payable in respect of that or any subsequent financial year.

Any accrued entitlements in respect of previous financial years will be paid, subject to the deduction of taxes, within four weeks at the date of cessation.

The Holding Period shall end on the date of cessation.

**(h) Takeovers**

In the event of a change of control or winding-up of the Company participants will be entitled to all accrued bonus payments from previous financial years adjusted to take account of performance achieved up to the date of change of control or winding-up. In respect of the financial year in which the event takes place, participants will be entitled to a bonus calculated on the basis of the increase in market capitalisation achieved in the year to date calculated by reference to the bid price. 50% of this amount will be payable as of right with the remaining 50% payable at the discretion of the Committee. Bonuses will be paid within four weeks of the unconditional completion of the change of control or of the date or winding-up as applicable.

**(i) Variation of awards**

In the event of a variation of the Company's share capital the Committee may make such adjustments to awards as it thinks appropriate.

**(j) Renewal of Plan**

Where the Plan is not renewed or replaced at the end of the five year term, accrued entitlements will be paid (subject to the deduction of taxes) within four weeks of the end of the financial year. Where the Plan is renewed, accrued bonuses in respect of the previous two years shall be carried forward.

**(k) Amendments**

The Committee may at any time amend the rules of the Plan provided that the prior approval of the Shareholders must be obtained for amendments to the material advantage of participants in respect of provisions relating to eligibility, maximum limits on participation, and the basis for determining a participant's entitlement. The prior approval of Shareholders will not be required in relation to any amendment which is of a minor administrative nature, is made to comply with the provisions of any existing or proposed legislation or to maintain favourable taxation treatment of any participating company or any participant.

The Plan contains provisions to ensure compliance with the requirements for making deductions under the PAYE system in respect of the bonus paid or shares acquired.

**(l) General**

Benefits under the Plan will not be pensionable.

## Form of Proxy

### For the Annual General Meeting on 28 June 2005

I/We.....  
(BLOCK LETTERS PLEASE)

of.....  
being a Member/Members of the above-named Company hereby appoint  
Julian Robert Budd, or failing him Kenneth Philip Gibbs, or failing him Paul Martyn Rosser\*

or.....

of.....  
as my/our Proxy to vote for me/us on my/our behalf, in the manner indicated below, at the Annual General Meeting of the Company to be held on 28 June 2005 and at any adjournment thereof.

\*Delete as appropriate.

Please indicate with an X in the appropriate box below how you wish your votes to be cast.

Resolution No.	1	2	3	4	5	6	7	8	9	10	11	12	13
For													
Against													

Dated.....2005      Signature.....

#### Notes

- 1 If you do not indicate how your vote is to be cast the Proxy will vote or abstain as he or she thinks fit.
- 2 In the case of a Corporation this Proxy must be under Common Seal or under the hand of an officer or attorney duly authorised in writing whose capacity should be stated. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
- 3 To be effective the Proxy must reach the officer at the Company's Registrar not later than 48 hours before the meeting.
- 4 Any alterations made in this Proxy should be initialled.
- 5 If you wish to appoint a Proxy other than as above, please delete the names printed above and insert the name of your Proxy in the space provided. A Proxy must attend the meeting in person to represent you.

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**Bristol**  
**BS99 3ZZ**

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