

# Alexandra plc

Interim Results  
for the six months ended 31 July 2006



## ALEXANDRA plc

*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.*



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## FINANCIAL HIGHLIGHTS

*"These results have been positively impacted by the strategic decision to acquire de Baer and Prima."*

**Julian Budd**  
Chief Executive

	<b>Six months ended 31 July 2006</b>	Six months ended 31 July 2005	+/- %
Revenue (£m)	<b>40.73</b>	35.81	+13.7
Profit from operations (£m)	<b>3.63</b>	2.93	+23.6
Adjusted Profit Before Tax* (£m)	<b>2.71</b>	2.25	+20.6
Adjusted Earnings per share* (p)	<b>5.6</b>	4.6	+21.7
Dividend per share** (p)	<b>2.1</b>	1.9	+10.5
Net debt (£m)	<b>26.64</b>	16.86	+58.0

- Revenue growth of 14% as a result of successful acquisitions
- Continued improvement in Gross Margin to 40.3% (2005: 39.9%)
- Profit from operations up 23.6% due to improved margin and infrastructure leverage
- Adjusted Earnings per share increase of 21.7%
- 10.5% increase to interim dividend, consistent with progressive dividend policy
- Net debt increase of 58% due to de Baer acquisition, set to reduce in second half
- Prima Corporate Wear and de Baer acquisitions performing well and integration largely completed

\* adjusted for restructuring costs, loss on disposal of fixed assets and one-time gain on financial derivatives

\*\* dividends paid and proposed during the period

### Overview

The Board is pleased to report continued progress in the first six months of the year, with revenue growth of almost 14% and adjusted earnings per share up over 21.7%. The two debt funded acquisitions made in 2005, Prima Corporate Wear Ltd ("Prima") and de Baer plc ("de Baer") have accelerated top line growth, in line with our strategic objectives and enabled the excellent earnings performance through leverage of fixed overheads, although the integration of the acquisitions has proved longer and more complex than previously anticipated.

This temporarily deflected some focus from the business as a whole, but the integration is now largely complete and the benefit is already being seen in the second half.

The Board has declared an interim dividend of 2.1 pence (2005: 1.9 pence), an increase of 10.5%, reflecting the strong underlying earnings growth reported and its confidence in the future potential of the business.

### Financial performance

Revenue increased by almost 14% to £40.7m (2005: £35.8m), through the acquisitions of Prima and de Baer.

Gross margin rose slightly to 40.3% (2005: 39.9%) benefiting from the continued focus on product sourcing and supply chain efficiency. Gross profit increased by almost 15% to £16.4m (2005: £14.3m).

Distribution and administrative expenses totalled £12.8m (2005: £11.4m). The rise was due to the ongoing overhead costs associated with the acquisitions but was limited to 12.3% as a result of savings made by the integration of the businesses into the Group infrastructure.

The improved margins and control over underlying overhead costs allowed profit from ongoing operations to grow almost 24% to £3.63m (2005: £2.93m).

Restructuring costs of £0.54m, slightly higher than previously expected, related to the rationalisation and integration of the acquisitions. Total restructuring costs to fully integrate the businesses are expected to be ca. £1.5m. Total purchase price for the acquisitions was £8.5m and the annual revenue stream acquired ca. £14m.

Borrowings rose by £9.7m to £26.6m (2005: £16.9m), reflecting the £4.5m for the purchase of de Baer in October 2005, restructuring costs for both de Baer and Prima and additional working capital for the enlarged Group. Gearing, which was 106% compared to 71% a year ago, is expected to reduce in the second half.

Interest costs increased by 60% to £0.75m (2005: £0.47m), reflecting the funding of the acquisitions from debt. Interest cover, based on profit from ongoing operations was 4.9 times (2005: 6.3 times), although cover is set to increase in the second half. Total finance costs were up 105% to £0.92m from £0.45m in 2005 when there was a non-recurring gain of £0.24m relating to foreign exchange contracts. The treatment of this item within the income statement was required as a result of the introduction of the new IFRS accounting standards last year. The Group has since adopted the alternative IFRS methodology of hedge accounting for the current and future years which avoids the

volatility in earnings that such transactions otherwise cause.

Profit before tax, excluding restructuring costs and non-recurring currency gains, grew 20.6% to £2.71m (2005: £2.25m). Earnings per share on the same basis were up 21.7% to 5.6p (2005: 4.6p).

The Board is declaring an interim dividend of 2.1 pence per share (2005: 1.9 pence), an increase of 10.5%. This reflects the strong trend in underlying earnings and is consistent with the Group's progressive dividend policy. The interim dividend will be paid on 1 December 2006 to shareholders on the register at 3 November 2006.

## Market overview

We believe the UK business clothing market remains almost flat in terms of value, with corporatewear, leisurewear and personal protective equipment (PPE) categories growing whilst traditional workwear continues to decline. Market conditions are challenging, but we believe that focused players such as Alexandra can continue to make progress through a combination of specialisation and personalised customer service.

Price deflation due to falling buying prices is no longer a major factor, although is prevalent in certain market sectors due to the consolidation of the purchasing function within certain large customers. Inflationary pressures due to the oil price have yet to feed through significantly to increased garment pricing.

## Strategy

The strategic objective of the Group is the delivery of profitable growth both organically and by strategic acquisitions to achieve leadership in the European corporate clothing market.

The Group has contributed to the consolidation of the UK market, which we believe to be largely complete. However, the Board sees further growth opportunities through participation in a similar consolidation of the European market over the next few years. We will continue to seek the right businesses that meet our strict acquisition criteria.

## Operational review

### • Acquisition Update

Prima was acquired in April 2005 for £4.0m and de Baer in October 2005 for £4.5m. Both businesses have continued to perform well since joining the Group and the Board is pleased with their contribution to the results for the half year. All major accounts have been retained and new contracts won.

The integration of de Baer is complete and Prima is in its final stages. This exercise has lately proved more complex and challenging than previously anticipated due to the diverse nature of the processes, systems and culture and has required additional management attention. Whilst essential for the long term success of the Group, this has caused a temporary slowing of the overall sales growth and has seen an increase in working capital requirements during the first half. Stock levels have reduced by some £2.0m since the period end.

de Baer is a leading player in the tailored corporatewear market and provides an excellent platform for growth in this sector where the Group has historically been under-represented. The business has won a number of sizeable new accounts in the period, including a major financial institution. Distribution, IT, Finance and Purchasing functions have been integrated into the Group and staffing levels reduced from 65 to 35.

Prima is a specialist uniform supplier to the security and transport sectors. A major new contract with a leading security company was won during the last six months that will roll-out during the second half. Prima transferred onto the Alexandra IT platform in March this year and into the distribution infrastructure during September. The growth potential of the business has been further enhanced by the recruitment of a Prima Sales Director who will join later in the year and brings with him a wealth of experience from within the industry.

- Sales

Within the core Alexandra business, the Corporate division has grown significantly in the last six months. Strong sales of PPE to Transco and Serco and large roll-outs to First Group have contributed to this increase. In addition, the multi-million pound Compass Group contract for the UK has been renewed.

Elsewhere, the Medical division have been successful in gaining market share in a highly competitive market. The Garment Rental division has grown strongly due to the customers transferred from Rentokil Initial when their workwear and laundry operations closed earlier in the year.

Overseas, Holland continued to perform well, with growth of 31%, winning prestigious new corporate customers such as TNT and Vodafone. France also achieved 10% growth as the introduction of new management took effect. Overall, the Irish business was disappointing but plans are in place to strengthen the business in the second half.

- Design and Marketing

The presentation and content of the Alexandra catalogue continues to be enhanced. New styles, such as beauty tunics and bootleg trousers have been well received and a new range of machine washable suiting is to be launched in this Autumn's catalogue.

- Buying, Manufacturing and Distribution

The buying and manufacturing functions have proved effective in enabling a small improvement in gross margin during the last six months. The new Head of Buying, who joined the Group six months ago, has made a major contribution. Within distribution Prima and de Baer are both operating from the previously under-utilised freehold property in Glasgow.

- Property

The Group has recently signed an agreement to sell the leasehold of the Paris sales office for €0.6m. The deal is conditional upon certain landlord and local authority clearances being obtained by January 2007. The French sales team would be relocated to a cheaper, more suitable property and this will enhance profitability and fuel further growth.

## Directors' remuneration

In line with Corporate Governance best practice, the contract of the Chief Executive, Julian Budd, has been reduced from a two year to a one year notice period.

A Performance Share Plan was put in place during the period in order to better align the Executives' remuneration with the performance of the Group by increasing their interest in the equity of the business.

Both measures were previously announced at the Group's AGM in June 2006.

## Outlook

The business has entered the second half of the year in good shape, with a number of significant customer roll-outs scheduled, a strong list of tenders in process and a major new catalogue launch in October. The integration challenges are largely complete and the management is now focusing on achieving further growth across the Group.

The market will remain competitive but the Board believes the capabilities and scale of the Group position it well against the competition and augur well for 2007/8.

10 October 2006

# CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 July 2006

	Note	Six Months to 31/07/06 £000	Six Months to 31/07/05 £000	Year to 31/01/06 £000
<b>Revenue</b>		<b>40,729</b>	35,821	77,010
Cost of sales		<b>(24,327)</b>	(21,514)	(46,725)
<b>Gross profit</b>		<b>16,402</b>	14,307	30,285
Distribution costs		<b>(1,537)</b>	(1,558)	(3,237)
Administration expenses		<b>(11,240)</b>	(9,816)	(19,756)
<b>Profit from on going operations</b>		<b>3,625</b>	2,933	7,292
Restructuring costs	4	<b>(543)</b>	-	(698)
Loss on disposal of fixed assets		-	(96)	(118)
<b>Operating profit</b>		<b>3,082</b>	2,837	6,476
Finance costs (net)	8	<b>(916)</b>	(686)	(1,498)
Movement on foreign exchange derivatives		-	239	188
<b>Profit before taxation</b>		<b>2,166</b>	2,390	5,166
Taxation	5	<b>(690)</b>	(749)	(1,642)
<b>Profit for the period</b>		<b>1,476</b>	1,641	3,524
<b>Earnings per share</b>				
Earnings per share (basic and diluted)	6	<b>4.4p</b>	4.9p	10.6p
<b>Ordinary dividends paid and proposed</b>	7			
Dividends proposed		<b>2.1p</b>	1.9p	3.9p
Dividends paid		<b>3.9p</b>	3.5p	5.4p

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME & EXPENSE (UNAUDITED)**

For the six months ended 31 July 2006

	<b>Six Months to 31/07/06 £000</b>	Six Months to 31/07/05 £000	Year to 31/01/06 £000
Actuarial gain / (loss) on defined benefit pension scheme	<b>2,817</b>	742	(1,610)
Deferred tax on actuarial (gain) / loss	<b>(845)</b>	(223)	483
	<b>1,972</b>	519	(1,127)
Exchange difference on translation of foreign operations	<b>(13)</b>	5	-
Cash flow hedge (fair value loss in period)	<b>(238)</b>	(100)	(100)
Net income / (expense) recognised directly in equity	<b>1,721</b>	424	(1,227)
Profit for the period	<b>1,476</b>	1,641	3,524
<b>Total recognised income for the period</b>	<b>3,197</b>	2,065	2,297

# CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 31 July 2006

	Note	As at 31/07/06 £000	As at 31/07/05 £000	As at 31/01/06 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		6,893	3,728	6,891
Other intangible assets		1,783	2,048	1,702
Property, plant and equipment		9,514	9,477	9,579
Deferred tax asset		3,424	3,674	4,319
Investments		10	10	10
Financial instruments		10	-	-
		<b>21,634</b>	18,937	22,501
<b>Current assets</b>				
Inventories		38,290	30,366	34,694
Trade and other receivables		28,290	23,739	26,430
Financial instruments		-	51	-
		<b>66,580</b>	54,156	61,124
<b>Total assets</b>		<b>88,214</b>	73,093	83,625
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		22,970	18,740	23,153
Current tax liabilities		1,356	1,007	1,174
Financial instruments		372	-	-
Borrowings		17,751	2,859	3,280
		<b>42,449</b>	22,606	27,607
<b>Non-current liabilities</b>				
Long term borrowings		8,889	14,000	17,936
Financial instruments		-	129	124
Retirement benefit obligations	9	11,110	11,933	14,073
Deferred tax liabilities		541	665	568
Other provisions for liabilities and charges		95	152	81
		<b>20,635</b>	26,879	32,782
<b>Total liabilities</b>		<b>63,084</b>	49,485	60,389
<b>Net assets</b>		<b>25,130</b>	23,608	23,236
<b>Equity</b>				
Called up share capital		3,341	3,335	3,341
Share premium account		1,848	1,824	1,848
Revaluation reserve		2,358	2,359	2,359
Other reserves		664	913	913
Retained earnings		16,919	15,177	14,775
<b>Total shareholders' equity</b>	11	<b>25,130</b>	23,608	23,236

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**

For the six months ended 31 July 2006

	<b>Six months to 31/07/06 £000</b>	Six months to 31/07/05 £000	Year to 31/01/06 £000
<b>Cash flows from operating activities</b>			
Operating profit before restructuring costs	<b>3,625</b>	2,837	7,174
Restructuring costs	<b>(543)</b>	-	(698)
Operating profit	<b>3,082</b>	2,837	6,476
Depreciation and amortisation	<b>800</b>	830	1,586
Foreign exchange differences	<b>(12)</b>	14	27
(Gain)/ loss on sale of fixed assets	<b>(11)</b>	96	118
Defined benefit costs less contributions paid	<b>(315)</b>	(113)	(551)
Increase in inventories	<b>(3,606)</b>	(1,783)	(6,061)
Increase in receivables	<b>(1,873)</b>	(956)	(3,515)
(Decrease) / increase in payables	<b>(170)</b>	1,177	5,184
Increase / (decrease) in other provisions	<b>14</b>	17	(53)
<b>Cash (used) / generated by operations</b>	<b>(2,091)</b>	2,119	3,211
Taxes paid	<b>(485)</b>	(857)	(1,618)
<b>Net cash (used in) / from operating activities</b>	<b>(2,576)</b>	1,262	1,593
<b>Investing activities</b>			
Acquisition of subsidiaries (net of cash acquired)	-	(4,093)	(4,093)
Purchase of property, plant and equipment	<b>(405)</b>	(359)	(913)
Net proceeds from sale of plant and equipment	<b>11</b>	(73)	(72)
Purchase of goodwill (net of cash acquired)	<b>(2)</b>	-	(3,007)
Purchase of other intangible assets	<b>(414)</b>	(533)	(503)
<b>Net cash used in investing activities</b>	<b>(810)</b>	(5,058)	(8,588)
<b>Financing activities</b>			
Interest paid	<b>(741)</b>	(434)	(985)
Dividends paid to Company shareholders	<b>(1,303)</b>	(1,168)	(1,802)
Increase in borrowings	<b>2,526</b>	4,250	8,940
(Repayment of) / increase in obligations under finance leases	<b>(45)</b>	(6)	318
Net proceeds from issue of ordinary share capital	-	-	30
<b>Net cash flow from financing activities</b>	<b>437</b>	2,642	6,501
<b>Net decrease in cash and cash equivalents</b>	<b>(2,949)</b>	(1,154)	(494)
Cash and cash equivalents at start of period	<b>2,555</b>	3,049	3,049
Effect of foreign exchange rate changes	<b>6</b>	3	-
<b>Cash and cash equivalents at end of period (note 10)</b>	<b>(388)</b>	1,898	2,555

### 1. Basis of preparation

These interim financial statements which are for the six months ending 31 July 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the information contained therein is in compliance with IAS 34 "Interim Financial Reporting". They do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group as at the year ended 31 January 2006.

These interim financial statements were approved by the Board on 10 October 2006. They are unaudited but have been reviewed by the auditors whose report is set out below.

### 2. Significant accounting policies

The accounting policies and presentation followed in the preparation of this interim report have been applied consistently to all periods in these financial statements and are the same as those applied by the Group in the preparation of its Annual Report for the year ended 31 January 2006.

### 3. Segmental reporting

As per IAS 14 "Segmental Reporting", based on the entity's risks and returns which are reflected within the internal financial reporting structures of the Group, the Board considers that the primary reporting format is business segment. There is only one business segment being the sourcing and sale of workplace clothing. Therefore the disclosures for the primary segment have already been given in these financial statements.

### 4. Restructuring costs

The restructuring costs relate mainly to the costs incurred for the integration of the de Baer and Prima acquisitions into the Alexandra Group.

### 5. Taxation

Taxation has been calculated on the profit on ordinary activities using the effective tax rate for the current financial year.

### 6. Earnings per share

Basic earnings per share has been calculated on the profit for the period and the weighted average number of shares in issue during the period. The diluted earnings per share has been calculated on the basic earnings and the weighted average number of shares plus an additional amount representing the fair value of weighted average number of shares under option during the period.

Adjusted earnings per share has been calculated on basic earnings adjusted for the fixed asset disposal, restructuring costs and the fair value movement on foreign exchange derivatives with tax at the appropriate rate.

## 6. Earnings per share - continued

The calculation of the basic, diluted and adjusted earnings per share is as follows:

	Six months to 31/07/06 Earnings per share			Six months to 31/07/05 Earnings per share		
	£000	Basic (p)	Diluted (p)	£000	Basic (p)	Diluted (p)
Earnings attributable to ordinary shareholders	1,476	4.4	4.4	1,641	4.9	4.9
Restructuring costs (net of tax)	381	1.2	1.2	-	-	-
Disposal of fixed assets (net of tax)	-	-	-	73	0.2	0.2
Financial derivatives (net of tax)	-	-	-	(167)	(0.5)	(0.5)
<b>Profit for adjusted earnings per share</b>	<b>1,857</b>	<b>5.6</b>	<b>5.6</b>	1,547	4.6	4.6

	Year to 31/01/06 Earnings per share		
	£000	Basic (p)	Diluted (p)
Earnings attributable to ordinary shareholders	3,524	10.6	10.6
Restructuring costs (net of tax)	489	1.5	1.5
Disposal of fixed assets (net of tax)	89	0.2	0.2
Financial derivatives (net of tax)	(132)	(0.4)	(0.4)
<b>Profit for adjusted earnings per share</b>	3,970	11.9	11.9

## 7. Dividend

	Six months to 31/07/06 £000	Six months to 31/07/05 £000	Year to 31/01/06 £000
<b>Dividend paid and recognised in the period</b>	<b>1,303</b>	1,168	1,802

Subsequent to the period end the Board has proposed an interim dividend of 2.1p per share (2005: 1.9p), totalling £702,000 (2005: £634,000) which will be paid on 1 December 2006 to shareholders on the register at close of business on 3 November 2006. In accordance with International Financial Reporting Standards these financial statements do not reflect the dividend payable.

## 8. Finance costs

	Six months to 31/07/06 £000	Six months to 31/07/05 £000	Year to 31/01/06 £000
Interest payable (net) on bank loans and overdrafts	747	468	1,054
Finance cost on retirement benefit liability	169	218	444
	<b>916</b>	686	1,498

## 9. Retirement benefits liability

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 defined benefit and defined contribution sections, although the defined contribution section is relatively small. The defined benefit schemes are closed to new entrants.

This disclosure is in respect of the defined benefit section only.

The Company has opted to recognise all actuarial gains and losses immediately through the Statement of Recognised Income and Expenditure (SORIE).

Full actuarial valuation of the scheme was carried out as at 31 January 2005 and updated to 31 July 2006 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms) as follows:

	Six months to 31/07/06	Six months to 31/07/05	Year to 31/01/06
Discount rate	5.5%	5.4%	5.0%
Rate of salary increase	4.1%	3.6%	3.9%
Rate of increase to pensions in payment (where index-linked)	2.7%	2.5%	2.5%
Rate of inflation	3.1%	2.6%	2.9%

The assumptions used in determining the overall expected return of the scheme have been set with reference to yields available on government bonds and appropriate risk margins.

The assets in the scheme and the expected rates of return were:

	As at 31/07/06 £000	As at 31/07/05 £000	As at 31/01/06 £000
Equities	26,510	24,747	28,190
Bonds	12,066	9,582	10,710
Cash	63	(58)	(198)
Fair value of schemes' assets	38,639	34,271	38,702
Present value of defined obligations	(49,749)	(46,204)	(52,775)
<b>Net liability in balance sheet</b>	<b>(11,110)</b>	(11,933)	(14,073)

Changes in the present value of the defined benefit obligation are as follows:

	Six months to 31/07/06 £000	Six months to 31/07/05 £000	Year to 31/01/06 £000
Benefit obligation at start of period	52,775	44,003	44,003
Service cost	220	185	375
Interest cost	1,302	1,228	2,456
Contributions by plan participants	96	102	200
Actuarial (gain) / loss	(4,189)	1,150	6,606
Benefits paid	(455)	(464)	(865)
<b>Benefit obligation at end of period</b>	<b>49,749</b>	46,204	52,775

## 9. Retirement benefits liability - continued

Changes in the fair value of plan assets are as follows:

	Six months to 31/07/06 £000	Six months to 31/07/05 £000	Year to 31/01/06 £000
Fair value of plan assets at start of period	<b>38,702</b>	31,433	31,433
Expected return on plan assets	<b>1,133</b>	1,010	2,012
Actuarial (loss) / gain	<b>(1,372)</b>	1,892	4,996
Contributions by employers	<b>535</b>	298	926
Contributions by plan participants	<b>96</b>	102	200
Benefits paid	<b>(455)</b>	(464)	(865)
<b>Benefit obligation at end of period</b>	<b>38,639</b>	34,271	38,702

## 10. Analysis of net debt

	As at 31/07/06 £000	As at 31/07/05 £000	As at 31/01/06 £000
Cash and cash equivalents	<b>388</b>	(1,898)	(2,555)
Bank loans due within one year	<b>17,273</b>	4,750	5,750
Bank loans due after more than one year	<b>8,693</b>	14,000	17,690
Finance leases	<b>286</b>	7	331
<b>Total net debt</b>	<b>26,640</b>	16,859	21,216

## 11. Reconciliation of movement in shareholders' equity

	Six months to 31/07/06 £000	Six months to 31/07/05 £000	Year to 31/01/06 £000
Profit for the period	<b>1,476</b>	1,641	3,524
Dividends paid	<b>(1,303)</b>	(1,168)	(1,802)
Exchange difference on translation of foreign operations	<b>(13)</b>	5	-
Net actuarial gain / (loss)	<b>1,972</b>	519	(1,127)
Cash flow hedge (fair value loss in period)	<b>(238)</b>	(100)	(100)
Issue of shares	-	-	30
Net increase in shareholders' equity	<b>1,894</b>	897	525
Equity at the start of the period	<b>23,236</b>	22,928	22,928
Adoption of IAS 39	-	(217)	(217)
<b>Equity at the end of the period</b>	<b>25,130</b>	23,608	23,236

**12. General information**

The results for the year ended 31 January 2006 are abridged from the audited Annual Report and Accounts. The full Group financial statements received an unqualified auditor's report and have been filed with the Registrar of Companies.

This report has been sent to all shareholders. Additional copies are available at the Company's registered office, Alexandra House, Midland Way, Thornbury, Bristol, BS35 2NT. Telephone: (01454) 876003.

The report can be found on the website of Alexandra plc, [www.alexandra.co.uk](http://www.alexandra.co.uk).

# INDEPENDENT AUDITOR'S REVIEW REPORT

Independent review report to Alexandra plc

## Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 July 2006 which comprises the Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Consolidated Balance Sheet, Consolidated Cash Flow Statement, comparative figures and associated notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Company management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 6 months ended 31 July 2006.

SOLOMON HARE AUDIT LLP  
Chartered Accountants  
Bristol  
10 October 2006

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<b>Bankers</b>	HSBC Bank plc 49 Corn Street Bristol BS99 7PP
<b>Brokers</b>	Evolution Beeson Gregory Ltd The Registry Royal Mint Court London EC3N 4LB
<b>Registrars</b>	Computershare Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH



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