Alexandra plc

Annual Report & Accounts

Year Ended 31 January 2004

ALEXANDRA®
Clothes that mean business

Contents

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.*

Financial Highlights

Alexandra has built a strong platform for profitable future growth

	Year ended 31 January 2004	Year ended 31 January 2003	+/- %
Turnover (£m)	**70.41**	73.38	- 4.1
Operating profit (£m)	**5.25**	5.25	-
Profit before taxation (£m)	**4.44**	3.88	+14.4
Earnings per share (pence)	**9.1**	8.2	+11.0
Dividend per share (pence)	**5.0**	4.6	+ 8.7
Net debt (£m)	**14.5**	19.9	-26.9

- Turnover down 4% due to price deflation
- Sales volumes increased by 2%
- Gross margin maintained at 38.9% (2003: 39.3%)
- Operating margin improved from 7.2% to 7.5%
- Profit before tax increased by 14.4% to £4.44 million (2003: £3.88 million)
- Year-end gearing 48% (2003: 70%) with interest cover improving from 4.1 times to 5.6 times
- 10% increase in final dividend

"The business has been considerably strengthened and both the Board and management are confident this will have a positive impact on the future performance of the Group."

Chris A Marsh
Chairman

We are 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.

Chairman's Statement

Overview

In this, my first statement as Chairman, I am pleased to report that during the financial year 2003/4, the Group achieved its primary objectives of increasing profit and reducing borrowings. Profit before taxation increased by 14.4% to £4.44 million and borrowings fell by £5.4 million to £14.5 million.

This positive result has been achieved in a competitive trading environment in which the Company has concentrated its sales effort on securing good quality contracts.

Financial Performance

Turnover at £70.41 million was 4.1% lower (2003: £73.38 million) due to a reduction in average selling prices of 6%. This has been partially offset by an increase in sales volumes of 2%.

The gross margin for the year was 38.9% (2003: 39.3%) with the Company benefiting from reduced input costs while maintaining product quality.

Profit before tax increased by 14.4% to £4.44 million (2003: £3.88 million). This was achieved through strict overhead control that reduced selling and administration costs by £1.44 million.

Earnings per share were 11% higher at 9.1p (2003: 8.2p). A profit on fixed asset disposals of £165,000 (2003: loss £101,000) contributed to this.

Strong operational cash flow and tight control over working capital resulted in net debt falling from £19.9 million to £14.5 million. Gearing at 31 January 2004 was 48%, a significant reduction from 70% at the previous year end and interest cover improved from 4.1 times to 5.6 times.

Dividend

The Board is proposing a 10% increase in the final dividend to 3.3p per share (2003: 3.0p). This, with the interim dividend of 1.7p (2003: 1.6p), makes a total dividend for the year of 5.0p, an increase of 8.7% on the total of 4.6p paid last year. If approved at the AGM on 29 June 2004 the final dividend will be paid on 9 July 2004 to shareholders on the register at 11 June 2004.

Board changes

As previously announced David Dunn retired on 31 January 2004 and I have succeeded him as Chairman. David Dunn joined the Alexandra plc Board in April 1989 and was Chairman from 31 December 1997. During his 15 years on the Board he has been directly involved in the transformation of the Group from textile manufacturer to a service business that sources its garments globally. My colleagues and I would like to thank him for his contribution over this period.

Martin Foyle resigned from the Board as Sales and Marketing Director on 31 August 2003. In the four years he was with Alexandra he made a significant contribution to the Group and we wish him well in the future in his new consultancy business.

With the intention of strengthening the Board Ken Gibbs, previously a Finance Director at Hewlett Packard, has joined the Group as Corporate Planning Director (designate).

Staff

The strength of Alexandra remains our employees who continue to demonstrate their enthusiasm and commitment to succeed. The focus in every department remains customer service and the Board thanks them for their hard work and contribution in the past year.

Current trading and prospects

The new year has started well with a strong order book and this augurs well for the full year. We have introduced some new initiatives to increase sales and further reduce costs and expect to see the benefits of these later in the year. We have also seen the hard work of the last twelve months paying off with several new and prestigious accounts awarded during the new year.

Conclusion

The business has been considerably strengthened and both the Board and management are confident this will have a positive impact on the future performance of the Group.

Chris A Marsh
Chairman

We are 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.

Chief Executive's Review

Introduction

Sales volumes increased during the year by 2%, in a market that is, at best, flat and remains fragmented and price competitive. This confirms our belief that Alexandra's market share continues to increase. A number of our competitors are experiencing financial difficulties and there are market indications that, in order to restore profitability, some are providing lower quality garments and customer service. We believe this will provide additional opportunities for Alexandra as our brand is synonymous with quality.

Gross margins have benefited from our ability to reduce input costs without adversely affecting product quality or service. This demonstrates the effectiveness of the Company's global procurement capability and also provides us with a significant competitive advantage. When participating in tenders the Company maintains a disciplined approach to pricing to avoid unprofitable business.

Currently we have twelve shops having assigned the leases on three during the year. We are now almost down to our target number and the remaining sites will fulfil the roles of regional centres, showrooms and meeting venues, and will also provide marketing support.

Sales and marketing

Turnover in the Corporate Division has continued to grow and the Workwear Divisions, selling to the health, public, retail and hospitality sectors, have performed well. Demand in the manufacturing sector, however, continues to decline.

We have continued to pursue, successfully, our strategy of targeting large corporate accounts and have won new Pan-European business during the year.

A venture was established with the JT's Corporation Limited in October 2003. This supplies clothing to the promotions industry and performed in line with management expectations contributing £0.7 million of sales in the final four months of the year.

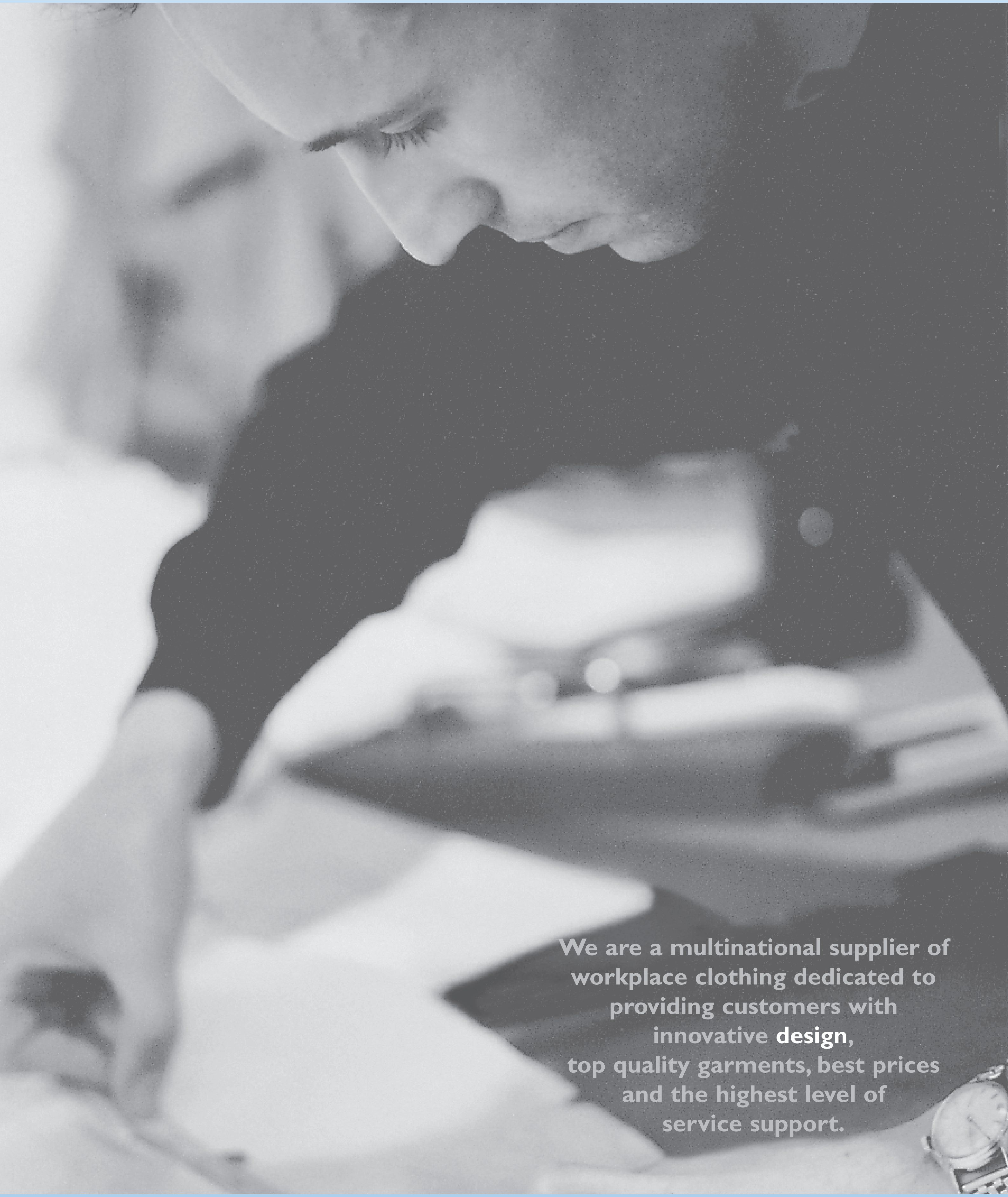
In the Mail Order Division, which accounts for some 25% of turnover, a number of initiatives were introduced during the second half of the year to increase turnover. These are already producing positive results.

Debt

A key objective, during the year, was to reduce borrowings. As a result of strong operational cash flow and tight control over working capital our net debt fell by £5.4 million to £14.5 million. Although, in total, stock only fell by £0.2 million to £28.3 million, this was achieved after purchasing £0.7 million of products for the new venture with JT's Corporation Limited. The underlying reduction in stock in the core business was therefore £0.9 million.

Property

One of our two surplus factory sites was sold during the year for £0.8 million, which equated to net book value. With regard to the remaining site, currently being used for warehousing and sample production, we are investigating the possibility of securing planning permission to enhance its value. Subject to planning approval being obtained, which may take some time, the property will be sold and the current activity relocated locally to smaller leasehold premises.



We are 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.

Staff

A new Head of Marketing, Colin Cole, and Head of Sales, James Tucker, have been recruited and both are already making a significant contribution to the Group. Also the recruitment of Ken Gibbs, as Corporate Planning Director (designate), reinforces the Finance Department and will enable the Group to progress acquisition opportunities.

In addition, the senior management team in all divisions has been strengthened and the team-working culture extended.

Significant changes have been agreed with the members of the defined benefit pension scheme (closed to new entrants in 2001). These changes, which include an increased Company contribution, in conjunction with the continued recovery in the value of the fund's stock market investments, are designed to eliminate the deficit over the life of the scheme.

Strategy

The Board believes Alexandra is in a good position to increase both sales and market share organically by taking advantage of its leading market position, global procurement capability, sustained high service levels and financial strength. In addition, industry consolidation provides an opportunity for Alexandra and acquisitions continue to be carefully investigated.

Conclusion

During the past six years the focus of attention throughout the Group has been the transition from textile manufacturing to global procurement and the creation of a meaningful Corporate Clothing division. Now these are complete the objective of the entire management team will be profitable growth.

Julian R Budd
Chief Executive

Financial Review

Results

Turnover at £70.41 million was 4% lower than the £73.38 million achieved in the previous year. This reduction was due to price deflation of 6% offset by increased volumes of 2%.

Although market conditions remained competitive gross margins were little changed at 38.9% (2003: 39.3%) due to the success of the global procurement strategy.

The operating profit was virtually the same as last year at £5.25 million but operating margins improved from 7.2% to 7.5%. This was achieved as a result of selling and administration costs falling by £1.44 million. The closure of three shops during the year contributed to this.

Profit before tax increased by 14.4% to £4.44 million (2003: £3.88 million) due to a lower interest charge and the generation of a profit on sale of fixed assets. As a result earnings per share were 11% higher at 9.1p (2003: 8.2p).

Stock at the year-end was down £0.2 million to £28.3 million after purchasing £0.7 million of stock for our new venture with JT's Corporation Limited established in October 2003. The underlying stock reduction in the core business was therefore approximately £0.9 million.

Net cash inflow from operating activities for the year was £8.35 million (2003: £5.46 million). This strong cash inflow resulted in net debt falling by £5.35 million (2003: £2.10 million). Gearing is now 48% compared to 70% a year ago.

Dividend

A final dividend of 3.3p per share is proposed and this represents an increase of 10% on that declared last year of 3.0p per share. This produces a total dividend per share for the year of 5.0p (2003: 4.6p) an increase of 8.7%. This is covered 1.8 times (2003: 1.8 times) by basic earnings per share.

Pension fund

Alexandra operates both defined benefit schemes and a defined 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 2004. This shows a reduction in the deficit of £1.06 million from £7.77 million to £6.71 million. The decrease is mainly due to the increase in the value of the Schemes' equity holdings. The actual Company contribution to the defined benefit schemes increased to £0.73 million in 2003/4 from £0.54 million in 2002/3.

The deficit is significant, even though it has reduced during the year, but the membership is relatively young with an average length of time to retirement of 20 years. 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 have been agreed with the members that will take effect from 1 May 2004, the Directors consider that this deficit can be eliminated over the life of the scheme.

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 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.

Derivative transactions were also entered into by the Group during the year, principally interest rate swaps and forward currency contracts. The purpose of these is to manage currency and interest rate risks arising from operations. In March 2003 an interest rate cap and an interest rate swap were agreed. It is Group policy, and has been throughout the period under review, not to trade in financial instruments.

The main risks arising from the Group's financial instruments relate to interest rate, liquidity and foreign exchange. The Board reviews and agrees policies for managing each of these and they are summarised below. The policies have remained unchanged throughout the period.

(a) Interest rate

The interest rate profile of the financial liabilities as at 31 January 2004 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 that this amount represents the core level of debt that the Group will require over the coming years. The current level of debt could be expected to reduce over the next few years if no strategic acquisitions or ventures were entered into.

(b) 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. The Group completed the restructure of its banking facilities during the year. The total facilities now equate to £28.8 million. These consist of overdrafts, short and medium term bank loans, and a ten year secured loan. At 31 January 2004 committed bank facilities of £13.7 million had not been drawn down.

(c) Currency

Purchases and sales in currencies other than sterling create transactional currency exposures for the Group. Most of these arise on the £8 million of overseas purchases of garments per year in US dollars. Forward currency contracts are used to hedge a significant proportion of these to give greater certainty to future costs.

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.

Richard Michell
Finance Director

Five Year Financial Record

	2000 £000	2001 £000	2002 £000	2003 £000	**2004 £000**
Profit and loss accounts					
Turnover	71,919	72,156	74,462	73,382	**70,410**
Gross margin	31,119	31,352	29,985	28,818	**27,377**
Trading profit	8,523	7,615	3,266	5,248	**5,250**
Profit/(loss) on disposal of fixed assets	(35)	-	-	(101)	**165**
Non-trading exceptional items - Note 4	(2,942)	(1,494)	-	-	**-**
Profit before taxation	5,015	5,052	2,043	3,883	**4,441**
Taxation (current and deferred)	1,415	1,574	528	1,147	**1,407**
Profit on ordinary activities after taxation	3,600	3,478	1,515	2,736	**3,034**
Dividends	2,740	2,697	1,532	1,532	**1,665**
Retained profit/(loss)	860	781	(17)	1,204	**1,369**
Balance sheets					
Fixed assets	16,310	17,610	15,791	13,825	**11,803**
Current assets	40,594	47,598	54,654	51,741	**51,917**
Total assets	56,904	65,208	70,445	65,566	**63,720**
Less: current and deferred liabilities	30,186	37,327	43,053	37,047	**33,630**
Net assets	26,718	27,881	27,392	28,519	**30,090**
Borrowings net of cash	9,985	13,961	21,959	19,864	**14,516**
Increase/(decrease) in borrowings net of cash	7,772	3,976	7,998	(2,095)	**(5,348)**
Statistics					
Gross margin	43.3%	43.5%	40.3%	39.3%	**38.9%**
Trading profit	11.9%	10.6%	4.4%	7.2%	**7.5%**
Gearing	37.4%	50.1%	80.2%	69.7%	**48.2%**
Earnings per share - Basic (Note 1)	10.6p	10.3p	4.6p	8.2p	**9.1p**
Earnings per share - Adjusted (Note 1)	16.7p	13.4p	4.6p	8.2p	**9.1p**
Net assets per share (Note 2)	79.0p	82.8p	82.3p	85.7p	**90.4p**
Return on shareholders' funds (Note 3)					
– trading profit basis	33.0%	27.8%	11.8%	18.8%	**17.9%**
– net basis	13.9%	12.7%	5.5%	9.8%	**10.4%**

Notes

1. 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 with tax thereon at the appropriate rate.
2. 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.
3. Return on shareholders' funds has been calculated on the average net assets each year.
4. The exceptional items in 2000 and 2001 related to the costs of production rationalisations and reorganisations.

Directors and Advisers

Christopher A Marsh
Non-Executive Chairman
Christopher, aged 60, was appointed as a Non-Executive Director on 25 March 2003 and became Chairman on 31 January 2004. Previously a Director of U.B.S in London and Hansard Group plc, he is currently a Non-Executive Director of Parkwood Holdings plc.

Julian R Budd BSc (ECON) FCA
Chief Executive
Julian, aged 53, 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.

Raees Lakhani BCOM FCA CA (Canada)
Commercial Director
Raees, aged 46, joined Alexandra in 1999 as a consultant working on a number of key projects and was appointed to the Board in 2000. Raees was formerly a partner with PricewaterhouseCoopers.

Richard Michell MBA FCA
Finance Director
Richard, aged 54, is a fellow of the Institute of Chartered Accountants in England and Wales. He was appointed to the Board on 1 February 2002. Richard was previously Finance Director of Dolphin Packaging plc.

Richard T Wynn-Jones
Non-Executive Deputy Chairman
Richard, aged 55, 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

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Clifton
Bristol BS8 2BN

Bankers
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49 Corn Street
Bristol BS99 7PP

Barclays Bank plc
Newbrick Road
Stoke Gifford
Bristol
BS34 8TN

Registrars
Computershare Services PLC
PO Box 82
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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 2004.

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 3 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 24.

The profit for the year after taxation, amounted to £3.0 million (2003: £2.7 million), which after dividends of £1.6 million (2003: £1.5 million) resulted in retained earnings of £1.4 million (2003: £1.2 million).

The Directors recommend that a final dividend of 3.3p (2003: 3.0p) per share be paid in addition to the interim dividend of 1.7p (2003: 1.6p) which was paid on 5 December 2003. 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 9 July 2004 to shareholders on the register on 11 June 2004.

Directors

The details of the current Directors together with brief biographical details are shown on page 11. 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 18 to 21.

Mr C A Marsh was appointed to the Board on 25 March 2003 as a Non-Executive Director.

Mr M Foyle resigned from the Board as Marketing Director with effect from 31 August 2003.

Mr D W Dunn retired on 31 January 2004 and has been succeeded as Chairman by Mr C A Marsh.

In accordance with the Articles of Association, Mr R T Wynn-Jones retires by rotation and, being eligible, offers himself for re-election.

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 £1,070,640. If passed the resolution will enable the Directors to allot a maximum of 10,706,400 ordinary shares which represents approximately 32.15% of the issued share capital of the Company as at 14 May 2004. 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 £166,468, 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.

Purchases 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 3,296,066 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 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 2005.

Implementation of any purchase would result in a reduction in the issued share capital of the Company. An amount equivalent to the nominal value of any issued share capital purchase would, in accordance with the Companies Act 1985, be transferred from retained earnings to a capital redemption reserve. There would be no reduction in the Company's authorised share capital.

As at 14 May 2004 184,081 options exist in respect of 0.55% of the Company's equity share capital, which would represent 0.61% 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 14 May 2004 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	2,050,000	6.2%
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 2004 was equivalent to 35 working days (2003: 36 working days), based on average daily amounts invoiced by suppliers during the year.

Other matters

During the year charitable contributions amounted to £1,300. There were no political contributions.

Corporate Governance

The Company's compliance with the Combined Code on Corporate Governance is shown on pages 15 and 17 and the Auditors' Report thereon is on pages 22 and 23.

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 2004

Corporate Governance

The Combined Code on Corporate Governance issued by the Financial Services Authority includes fourteen principles of good governance which are applicable to listed companies. It is the policy of Alexandra to manage its affairs in accordance with these principles.

The fourteen principles of the code are divided into four parts: Directors, Directors' Remuneration, Relations with Shareholders, and Accountability and Audit. The Group has been in full compliance with the provisions of the code throughout the year except where indicated below.

The new 2003 Combined Code was adopted by the Financial Reporting Council in July 2003 and comes into force for accounting periods commencing on or after 1 November 2003. The Board is reviewing the revised requirements and will report fully on compliance with the new Code in the 2005 report and accounts.

Directors

The business of the Group is managed by the Board of Directors, which met ten times during the year. 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. In addition, there is frequent contact between meetings to progress the Group's business. Directors have the facility to take independent professional advice should they wish.

At the start of the financial year the Board comprised four Executive and two Non-Executive Directors. Following the appointment of Mr C A Marsh as a Non-Executive Director on 25 March 2003, the resignation of Mr M C Foyle on 31 August 2003 as Marketing Director and the retirement of Mr D W Dunn as Non-Executive Chairman on 31 January 2004, there are now three Executive and two Non-Executive Directors. There is a clear delineation of responsibility between the Chairman, Chief Executive and the other Directors. 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 9 years. The Board considers that despite this length of service Mr Wynn-Jones remains fully independent and following evaluation of his performance believes that he can and will continue to provide a valuable contribution to the operation of the Board.

The current Directors are listed on page 11 together with brief details of their backgrounds. 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.

Code provision A.6.2 requires all Directors to submit themselves for re-election at regular intervals and at least every three years. All Directors are subject to re-election by the shareholders at the first opportunity after their appointment and the Non-Executive Directors submit themselves for re-election at least once every three years. In line with the Company's Articles of Association, the Executive Directors do not currently retire by rotation. The Directors wish to ensure compliance with this provision in the future and a special resolution will be proposed at the Annual General Meeting to approve a change to the Articles of Association to require the Executive Directors to retire by rotation.

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.

Directors' remuneration

The Remuneration Committee was chaired by Mr D W Dunn until his retirement on 31 January 2004 and is now chaired by Mr C A Marsh. It comprises the Non-Executive Directors and meets at least once a year. 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 18 to 21.

As noted in the Report on the Directors' Remuneration, the Company does not comply with Code provision B.1.7 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 and responds quickly to all enquiries received. The Group also undertakes a formal programme of institutional presentations on the announcement of its full year and interim results. In addition, 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 2004. 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.

As required by Code provision D.2.2 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.

Code provision D.3.1 requires the Board to establish an Audit Committee of at least three Non-Executive Directors. During the year from 31 January 2003 to 25 March 2003 there were only two Non-Executive Directors. On 25 March 2003 a third Non-Executive Director was appointed, resulting in the Group complying with this Code provision until 31 January 2004. Since Mr Dunn's retirement on 31 January 2004 there have only been two Non-Executive Directors and the Group does not currently comply with this Code provision. The Board has noted that, in the case of smaller quoted companies, the new Code only requires a minimum of two independent Non-Executive Directors, for the Board and for the Audit Committee. The Company, therefore, has no current plans to increase the number of Non-Executive Directors. The Audit Committee, which was chaired by Mr D W Dunn until his retirement on 31 January 2004 is now chaired by Mr C A Marsh. It comprises the Non-Executive Directors and met twice during the year. Meetings are also attended by the Executive Directors by invitation. The Committee is responsible for reviewing a wide range of matters including the half year and annual financial statements before submission to the Board and for monitoring the controls which are in place to ensure the integrity of information reported to the shareholders. The Audit Committee advise the Board on the appointment and remuneration of the external auditors and discuss the nature, scope and results of the audit with the external auditors.

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 Company'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 operation. 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 Company operate in accordance with the Company'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 Company 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 Company 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 now also employs independent consultants to carry out audits. The Company 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

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the 'Regulations') which introduced new statutory requirements for the disclosure of Directors' remuneration in respect of periods ending on or after 31 December 2002. It has been approved by the Directors and will be put to the shareholders for approval at the Annual General Meeting on 29 June 2004.

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. The remuneration of Executive Directors is determined by the Remuneration Committee within the framework of this policy. The Remuneration Committee consists entirely of Non-Executive Directors. The Committee whose members during the year included Mr D W Dunn, Mr C A Marsh and Mr R T Wynn-Jones was chaired by Mr D W Dunn until 31 January 2004 and is now 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, 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:-

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.

Performance related bonus

Executive Directors participate in a bonus scheme which is linked to the achievement of demanding individual, business and corporate objectives. These bonuses are at the discretion of the Remuneration Committee.

Pensions benefits

Mr J R Budd and Mr R Lakhani are members of the Alexandra 1994 Pension Fund and receive defined benefits under the Fund. For Mr J R Budd pensionable salary is based on gross taxable remuneration excluding performance related bonus while for Mr R Lakhani, pensionable salary relates to basic salary only.

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 20.

As the defined benefit scheme is closed to new entrants, the Company contributes 5% of basic salary to Mr R Michell's personal pension scheme.

During the year the Company paid £4,000 into Mr R Michell's personal pension scheme.

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 21. 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.

Other benefits

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

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 R Lakhani and Mr R Michell have twelve month rolling contracts.

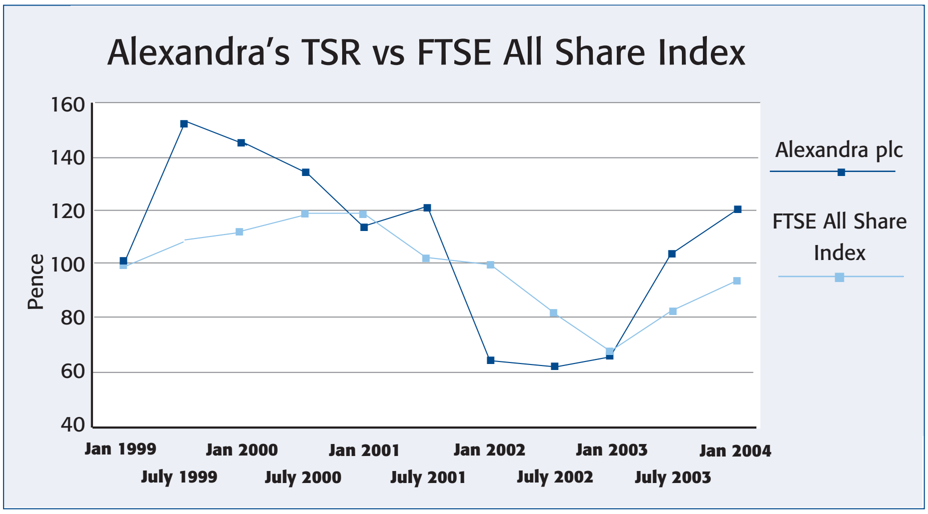
The Non-Executive Directors are on twelve months fixed term contracts which expire as follows:

Mr R T Wynn-Jones	30 September 2004
Mr C A Marsh	31 March 2005

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 1999 by taking the percentage change of the market price over the relevant period and reinvesting any dividends at the ex-dividend date.



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	2004 Total £000	2003 Total £000
Executive Directors						
J R Budd	191	1	29	37	258	208
M Foyle (resigned 31 August 2003)	66	4	18	11	99	118
R Lakhani	114	1	18	17	150	118
R Michell	91	1	16	4	112	87
Non-Executive Directors						
D W Dunn (retired 31 January 2004)	60	-	-	-	60	60
R T Wynn-Jones	20	-	-	-	20	20
C A Marsh (appointed 25 March 2003)	13	-	-	-	13	-
	555	7	81	69	712	611
Director employed by the Group during 2003 but not 2004					-	4
					712	615

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 2004 £000	Increase in accrued pension during the period £000	Total accrued pension as at 31 January 2003 £000	Transfer value at 31 January 2004 £000	Increase in transfer value less Director's contributions £000	Transfer value at 31 January 2003 £000
J R Budd	86	8	76	1,254	304	917
M Foyle (resigned 31 August 2003)	5	-	5	48	9	35
R Lakhani	6	1	4	56	16	34

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 2004 had the following beneficial interests in the Company's share capital:-

	2004				2003	
	14 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
D W Dunn	**58,750**	**-**	**58,750**	**-**	58,750	-
R Lakhani	**23,750**	**58,027**	**23,750**	**58,027**	23,750	58,027
R Michell	**84,750**	**58,027**	**84,750**	**58,027**	84,750	58,027
C A Marsh	**50,000**	**-**	**50,000**	**-**	-	-
R T Wynn-Jones	**5,000**	**-**	**5,000**	**-**	5,000	-

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 January 2004	As at 31 January 2003	Exercise Price (p)	Earliest Date for Exercise	Latest Date for Exercise
J R Budd	**58,027**	58,027	51.7	November 2005	November 2012
R Lakhani	**58,027**	58,027	51.7	November 2005	November 2012
R Michell	**58,027**	58,027	51.7	November 2005	November 2012

Exercise of the options is not dependent on any specific pre-determined criteria. The 58,027 options held by M Foyle at 31 January 2003 lapsed on 1 March 2004, 6 months after he left the Company on 31 August 2003. Apart from this no other options lapsed unexercised or were exercised during the year or up to 14 May 2004.

The market price of the Company's shares at 31 January 2004 was 95p (2003: 58p). The share price traded within the range from 53.5p to 97.5p during the financial year.

Mr R T Wynn-Jones is a partner in Burges Salmon, Solicitors, who were paid £10,000 (2003: £65,000) 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 2004

Report of the Independent Auditors

Independent Auditors' report to the shareholders of Alexandra plc

We have audited the financial statements for the year ended 31 January 2004 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 28. 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 seven provisions of the Combined Code issued in June 1998 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 2004 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 2004

Consolidated Profit and Loss Account

For the year ended 31 January 2004

Note		2004 £000	2003 £000
2	**Turnover**	**70,410**	73,382
	Cost of sales	**(43,033)**	(44,564)
	Gross margin	**27,377**	28,818
	Distribution costs	**(2,615)**	(2,476)
	Administration expenses	**(19,512)**	(21,094)
		(22,127)	(23,570)
3	**Operating profit**	**5,250**	5,248
	Profit/(Loss) on disposal of fixed assets	**165**	(101)
	Profit on ordinary activities before interest and taxation	**5,415**	5,147
4	Interest (net)	**(974)**	(1,264)
	Profit on ordinary activities before taxation	**4,441**	3,883
6	Taxation on profit on ordinary activities	**(1,407)**	(1,147)
	Profit attributable to shareholders	**3,034**	2,736
7	Dividends	**(1,665)**	(1,532)
23	**Transferred to reserves**	**1,369**	1,204
8	**Earnings per share - basic and diluted**	**9.1p**	8.2p

All activities have arisen from continuing operations.

The accompanying notes on pages 28 to 46 form an integral part of these financial statements.

Balance Sheets

As at 31 January 2004

Note		Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
	Fixed assets				
9	Intangible assets				
	Goodwill	**416**	386	**-**	-
10	Tangible assets	**11,377**	13,429	**10,813**	12,709
11	Investments	**10**	10	**16,501**	16,007
		11,803	13,825	**27,314**	28,716
	Current assets				
13	Stocks	**28,327**	28,551	**27,680**	27,936
14	Debtors	**23,590**	23,190	**24,963**	23,871
		51,917	51,741	**52,643**	51,807
15	Creditors: amounts falling due within one year	**24,507**	24,720	**27,051**	26,207
	Net current assets	**27,410**	27,021	**25,592**	25,600
	Total assets less current liabilities	**39,213**	40,846	**52,906**	54,316
16	Creditors: amounts falling due after more than one year	**8,262**	11,522	**8,250**	11,500
19	Provisions for liabilities and charges	**861**	805	**924**	854
	Net assets	**30,090**	28,519	**43,732**	41,962
	Capital and reserves				
21	Called up share capital	**3,329**	3,329	**3,329**	3,329
23	Share premium account	**1,800**	1,800	**1,800**	1,800
23	Revaluation reserve	**2,358**	2,636	**2,308**	2,588
23	Other reserves	**2,433**	2,425	**2,448**	2,448
23	Profit and loss account	**20,165**	18,329	**33,847**	31,797
	Equity shareholders' funds	**30,085**	28,519	**43,732**	41,962
	Equity minority interest	**5**	-	-	-
	Total shareholders' funds	**30,090**	28,519	**43,732**	41,962

Approved by the Board
25 May 2004
J R Budd
R Michell
Directors

The accompanying notes on pages 28 to 46 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 January 2004

Note		2004 £000	2003 £000
25	**Net cash inflow from operating activities**	**8,351**	5,457
	Returns on investments and servicing of finance		
	Interest received	**2**	6
	Interest paid	**(1,069)**	(1,356)
		(1,067)	(1,350)
	Taxation paid		
	Corporation tax paid	**(1,126)**	(455)
	Overseas tax paid	**(20)**	(19)
		(1,146)	(474)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(551)**	(929)
	Purchase of garments on hire	**(76)**	(56)
	Sale of tangible fixed assets	**1,484**	670
		857	(315)
	Acquisitions		
	Investment in subsidiaries	**(62)**	(58)
	Equity dividends paid	**(1,565)**	(1,165)
	Cash inflow before financing	**5,368**	2,095
	Financing		
	Decrease in debt due within one year	**(4,716)**	(8,491)
	(Decrease)/Increase in debt due beyond one year	**(3,250)**	11,500
26/27	**(Decrease) / Increase in cash**	**(2,598)**	5,104

The accompanying notes on pages 28 to 46 form an integral part of these financial statements.

Shareholders' Funds

For the year ended 31 January 2004

Statement of total recognised gains and losses

	2004 £000	2003 £000
Profit attributable to shareholders	**3,034**	2,736
Exchange adjustment on foreign currency net investments	**(9)**	(77)
Unrealised surplus arising on revaluation of freehold properties	**206**	-
Total recognised gains and losses for the year	**3,231**	2,659

Reconciliation of movements in shareholders' funds

	2004 £000	2003 £000
Total recognised gains and losses for the year	**3,231**	2,659
Dividends	**(1,665)**	(1,532)
Net additions to shareholders' funds	**1,566**	1,127
Shareholders' funds at 31 January 2003	**28,519**	27,392
Equity shareholders' funds at 31 January 2004	**30,085**	28,519

Note of historical cost profits and losses

	2004 £000	2003 £000
Reported profit on ordinary activities before taxation	**4,441**	3,883
Realisation of property valuation gains of prior years	**486**	-
Historical cost profits on ordinary activities before taxation	**4,927**	3,883
Transfer to reserves after taxation and dividends	**1,855**	1,204

The accompanying notes on pages 28 to 46 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 £3,229,000 (2003: £2,810,000).

(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 contracted 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.

(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 two years.

(h) Land and buildings

Certain of the Group's land and buildings were valued on the basis of open market value in either 1990/91 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. These will be revalued every 5 years by external valuers 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 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.

2. Segmental information

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

	2004 £000	2003 £000
Direct marketing	**61,486**	64,473
Overseas	**6,433**	5,725
Other including rentals	**2,491**	3,184
	70,410	73,382

Turnover by geographical destination is as follows:–

	2004 £000	2003 £000
United Kingdom and Ireland	**65,619**	69,286
France and Holland	**2,307**	2,861
Other European	**1,170**	611
Other Worldwide	**1,314**	624
	70,410	73,382

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

	2004		2003	
	Turnover £000	Profit £000	Turnover £000	Profit £000
United Kingdom and Ireland	**70,620**	**4,533**	74,742	3,671
Europe	**1,475**	**(381)**	1,705	(396)
Other Worldwide	**6,556**	**289**	7,584	608
Inter segment	**(8,241)**	**-**	(10,649)	-
	70,410	**4,441**	73,382	3,883

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

	2004 £000	2003 £000
United Kingdom and Ireland	**34,018**	32,369
Europe	**(1,001)**	(601)
Other Worldwide	**157**	(530)
	33,174	31,238
Unallocated liabilities	**(3,084)**	(2,719)
	30,090	28,519

3. Operating profit

Operating profit is arrived at after charging:-

	2004 £000	2003 £000
Directors' emoluments	643	575
Depreciation - owned assets	1,579	1,846
Depreciation - leased assets	11	10
Hire of plant and machinery - operating leases	684	1,069
Hire of other assets - operating leases	2,953	2,989
Auditors' remuneration - audit fee	57	76
- other fees	30	66
Goodwill amortisation	27	42
and after crediting:–		
Rent receivable	957	930

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 18 to 21.

In addition to the amounts noted above, the auditors received remuneration for other services of £24,000 (2003: £nil), which has been included in the cost of investment.

Analysis of total fees payable to the Group auditors:

	2004 £000	2003 £000
Audit services	57	76
Tax compliance services	30	26
Other services	28	45
	115	147

4. Net interest

	2004 £000	2003 £000
Interest receivable	(2)	(6)
Interest payable and similar charges:		
Bank loans and overdrafts	976	1,270
	974	1,264

5. Employees

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

	2004	2003
Management and administration	88	85
Manufacturing	482	580
Direct and retail sales	245	289
Distribution and value added services	131	132
	946	1,086

5. Employees - continued

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

	2004 £000	2003 £000
Wages and salaries	10,594	11,636
Social security costs	980	1,046
Other pension costs	819	658
	12,393	13,340

6. Taxation on ordinary activities

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

	2004 £000	2003 £000
Current tax:		
UK Corporation tax for the period at 30%	1,405	1,327
Adjustments in respect of previous periods	(67)	-
Foreign tax	9	20
Total current tax (note 6(b))	1,347	1,347
Deferred tax: (note 20)		
Origination and reversal of timing differences	45	(215)
Movement in discount	15	15
Total deferred tax	60	(200)
	1,407	1,147

(b) Factors affecting tax charge for period

The UK standard rate of corporation tax is 30% (2003: 30%), whereas the current tax assessed for the financial year as a percentage of profit before tax is 30.3% (2003: 34.7%). The differences are explained below:

	2004 £000	2003 £000
Standard rate of corporation tax in the United Kingdom	30.0%	30.0%
Effects of:		
Depreciation for period in excess of capital allowances	2.0%	5.1%
Expenses not deductible for tax purposes	0.7%	1.6%
Timing difference	(1.6%)	(1.4%)
Overseas losses not qualifying for UK corporation tax	1.0%	-
Lower tax rates on overseas earnings	-	(0.1%)
Utilisation of tax losses	(0.5%)	(1.0%)
UK corporation tax charge for the period	31.6%	34.2%
Adjustments to tax charge in respect of previous periods	(1.5%)	-
Foreign tax	0.2%	0.5%
Current tax rate for period	30.3%	34.7%

7. Dividends

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

	2004 £000	2003 £000
Interim paid 1.7p per share (2003: 1.6p per share)	566	533
Final proposed 3.3p per share (2003: 3.0p per share)	1,099	999
	1,665	1,532

8. Earnings per share

Earnings per share (basic and diluted) has been calculated on the profit on ordinary activities after taxation of £3,034,000 (2003: £2,736,000) and the weighted average number of shares in issue during the year amounting to 33,293,600 (2003: 33,293,600). The diluted earnings per share has been calculated on the basic earnings and the weighted average number of shares plus an additional 105,792 (2003: 25,212) shares representing the fair value of the weighted average number of shares under option during the year.

9. Intangible assets

	Goodwill £000
Group	
Cost	
At 1 February 2003	544
Additions - JT's Corporation Limited	57
At 31 January 2004	601
Amortisation	
At 1 February 2003	158
Charge for the year	27
At 31 January 2004	185
Net book value at 31 January 2004	416
Net book value at 31 January 2003	386

10. Tangible fixed assets

	Land & buildings £000	Plant and equipment £000	Garments on hire £000	Total £000
Group				
Cost or valuation				
At 1 February 2003	**8,077**	**25,343**	**339**	**33,759**
Exchange adjustments	**28**	**38**	**-**	**66**
Additions	**25**	**524**	**76**	**625**
Revaluation	**150**	**-**	**-**	**150**
Disposals	**(774)**	**(2,269)**	**(128)**	**(3,171)**
At 31 January 2004	**7,506**	**23,636**	**287**	**31,429**
Depreciation				
At 1 February 2003	**1,228**	**18,881**	**221**	**20,330**
Exchange adjustments	**24**	**20**	**-**	**44**
Charge for the year	**164**	**1,345**	**81**	**1,590**
Revaluation	**(56)**	**-**	**-**	**(56)**
Disposals	**(55)**	**(1,673)**	**(128)**	**(1,856)**
At 31 January 2004	**1,305**	**18,573**	**174**	**20,052**
Net book value at 31 January 2004	**6,201**	**5,063**	**113**	**11,377**
Net book value at 31 January 2003	6,849	6,462	118	13,429

The net book value of tangible fixed assets includes an amount of £23,900 (2003: £45,500) 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
Company				
Cost or valuation				
At 1 February 2003	**7,556**	**24,490**	**339**	**32,385**
Additions	**25**	**488**	**76**	**589**
Revaluation	**150**	**-**	**-**	**150**
Disposals	**(774)**	**(2,220)**	**(128)**	**(3,122)**
At 31 January 2004	**6,957**	**22,758**	**287**	**30,002**
Depreciation				
At 1 February 2003	**774**	**18,681**	**221**	**19,676**
Charge for the year	**119**	**1,193**	**81**	**1,393**
Revaluation	**(56)**	**-**	**-**	**(56)**
Disposals	**(55)**	**(1,641)**	**(128)**	**(1,824)**
At 31 January 2004	**782**	**18,233**	**174**	**19,189**
Net book value at 31 January 2004	**6,175**	**4,525**	**113**	**10,813**
Net book value at 31 January 2003	6,782	5,809	118	12,709

10. Tangible fixed assets - continued

Group and Company

The net book value of land and buildings comprises:-

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Freehold land and buildings	**5,842**	6,401	**5,842**	6,401
Short leasehold	**359**	448	**333**	381
	6,201	6,849	**6,175**	6,782

	Group	Company
	£000	**£000**
At valuation 2004	**4,400**	**4,400**
At valuation 2000	**1,442**	**1,442**
At valuation 1991	**22**	**-**
At cost	**337**	**333**
Net book value at 31 January 2004	**6,201**	**6,175**

On 31 January 2004 the Group's Freehold Offices were revalued by Chesterton plc Chartered Surveyors, in accordance with the RICS Appraisal and Valuation standards. The revaluation was based on the Open Market Value and the surplus over the net book value of £206,000 has been transferred to the revaluation reserve.

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	Company
	£000	**£000**
Cost	**4,719**	**4,097**
Aggregate depreciation	**(1,308)**	**(740)**
Net book value at 31 January 2004	**3,411**	**3,357**

11. Investments

	Shares in subsidiaries	Loans to subsidiaries	Other investments	Total
	£000	**£000**	**£000**	**£000**
At 1 February 2003	**2,834**	**13,163**	**10**	**16,007**
Additions - Alexandra Workwear SA	**-**	**432**	**-**	**432**
- JT's Corporation Limited	**62**	**-**	**-**	**62**
At 31 January 2004	**2,896**	**13,595**	**10**	**16,501**

A new venture was established with JT's Corporation Limited in October 2003. The Company supplies clothing to the promotional industry.

During the year the holding Company subscribed to an additional £432,000 share capital in Alexandra Workwear SA.

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
Wearguard UK Limited	Great Britain	Dormant
JT's Corporation Limited	Great Britain	Sales

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

	2004 £000	2003 £000
Contracted for	**22**	139

13. Stocks

	Group		**Company**	
	2004 £000	2003 £000	**2004 £000**	2003 £000
Raw materials and consumables	**6,536**	6,831	**6,305**	6,610
Work in progress	**1,235**	553	**1,139**	479
Finished goods and goods for resale	**20,556**	21,167	**20,236**	20,847
	28,327	28,551	**27,680**	27,936

14. Debtors

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Trade debtors	**16,723**	16,975	**15,641**	15,963
Amounts owed by Group undertakings	**-**	-	**3,007**	2,300
Other debtors	**1,447**	1,220	**1,124**	905
Prepayments and accrued income	**5,420**	4,995	**5,191**	4,703
	23,590	23,190	**24,963**	23,871

Included in prepayments and accrued income is £2,203,000 (2003: £1,360,000) which falls due after more than one year.

15. Creditors: amounts falling due within one year

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Bank loans and overdrafts (note 17)	**6,245**	8,333	**6,820**	7,235
Obligations under finance leases and hire purchase contracts (note 18)	**9**	9	**-**	-
Trade creditors	**10,832**	10,404	**9,439**	9,458
Amounts owed to Group undertakings	**-**	-	**4,307**	4,418
Other creditors	**207**	275	**139**	223
Corporation tax	**1,229**	1,024	**837**	610
Other taxes and social security	**1,551**	1,840	**1,444**	1,683
Accruals and deferred income	**3,335**	1,836	**2,966**	1,581
Proposed dividend	**1,099**	999	**1,099**	999
	24,507	24,720	**27,051**	26,207

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

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Obligations under finance leases and hire purchase contracts (note 18)	**12**	22	**-**	-
Bank loans (note 17)	**8,250**	11,500	**8,250**	11,500
	8,262	11,522	**8,250**	11,500

17. Bank loans and overdrafts

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Due within one year	**6,245**	8,333	**6,820**	7,235
Due in the second year	**5,500**	7,500	**5,500**	7,500
Due in the third to fifth years inclusive	**1,500**	1,500	**1,500**	1,500
After five years	**1,250**	2,500	**1,250**	2,500
	14,495	19,833	**15,070**	18,735

As at 31 January 2004 a bank loan of £3,750,000, payable by instalments, was secured on the Group's freehold land and buildings. This loan matures in 2013 and bears interest charges at 1.25% over LIBOR. A series of cross guarantees exists between Alexandra plc and its subsidiaries.

18. Lease and hire purchase contracts

At 31 January 2004 the Group had annual commitments under leases as set out below:–

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

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Expiring:–				
Within one year	**240**	156	**88**	-
In the second to fifth years inclusive	**650**	776	**565**	759
After five years	**1,911**	1,927	**1,911**	1,927
	2,801	2,859	**2,564**	2,686

The majority of these leases are subject to rent reviews.

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

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Expiring:–				
Within one year	**261**	66	**258**	54
In the second to fifth years inclusive	**827**	775	**813**	772
After five years	**-**	41	**-**	41
	1,088	882	**1,071**	867

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

	Group		Company	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Expiring:-				
Within one year	**9**	9	**-**	-
Due in the second year	**9**	9	**-**	-
Due in the third to fifth years inclusive	**3**	13	**-**	-
	21	31	**-**	-

19. Provisions for liabilities and charges

	Leasehold property provision £000	Deferred taxation £000	2004 Total £000	2003 Total £000
Group				
At 1 February 2003	**109**	**696**	**805**	1,313
Transfer from/(to) profit and loss account	**7**	**60**	**67**	(142)
Release of provision	**-**	**-**	**-**	(296)
Utilised in the year	**(11)**	**-**	**(11)**	(70)
At 31 January 2004	**105**	**756**	**861**	805
Company				
At 1 February 2003	**109**	**745**	**854**	1,246
Transfer from/(to) profit and loss account	**7**	**74**	**81**	(26)
Release of provision	**-**	**-**	**-**	(296)
Utilised in the year	**(11)**	**-**	**(11)**	(70)
At 31 January 2004	**105**	**819**	**924**	854

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 are given in note 20.

20. Deferred taxation

The provision for deferred taxation comprises:

	Group		**Company**	
	2004 £000	2003 £000	**2004 £000**	2003 £000
Excess of capital allowances over depreciation	**778**	842	**740**	795
Tax losses	**(101)**	(96)	**-**	-
Pension	**280**	166	**280**	166
Undiscounted provision for deferred tax	**957**	912	**1,020**	961
Discount	**(201)**	(216)	**(201)**	(216)
	756	696	**819**	745

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 (2003: £200,000).

21. Share capital

	2004		2003	
	Number	**£000**	Number	£000
Authorised Share Capital				
Ordinary shares of 10p each	**44,000,000**	**4,400**	44,000,000	4,400
Issued and Fully Paid Share Capital				
Ordinary shares of 10p each	**33,293,600**	**3,329**	33,293,600	3,329

In addition to the options held by the Directors shown in the Report of the Directors' Remuneration on page 21, as at 31 January 2004 options for 10,000 shares exists for employees under the terms of the 1994 Executive Share Option Scheme which are exercisable between April 1998 and April 2005 at 122.8p per share. Between 31 January 2004 and 14 May 2004 there were no changes.

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 ending 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 as 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 as at 5 April 2003 and the main assumptions were the rate of return on investments of 7.7%/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 current total contribution rate to the Fund amounts to 24.5% of Pensionable Payroll.

The total pension cost for the group was £819,000 (2003: £658,000) of which £792,000 (2003: £617,000) relates to the UK company. A prepayment of £234,000 (2003: £275,000) which related to the implementation of SSAP 24 is included within debtors. At 31 January 2004 a prepayment in respect of contributions of £934,000 (2003: £709,000) 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 £503,000 (2003: £569,000). This charge is equal to the service cost of £482,000 (2003: £563,000) in respect of the defined benefit sections, plus contributions of £21,000 (2003: £6,000) paid by the Company in respect of 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 2004 by a qualified Actuary. The main assumptions used by the Actuary were:

	2004 (%p.a.)	2003 (%p.a.)	2002 (%p.a.)
Rate of increase in salaries	**3.8%**	4.0%	4.0%
Rate of increase in LPI pensions in payment	**2.5%**	2.5%	2.5%
Discount rate	**5.8%**	5.9%	6.1%
Inflation assumption	**2.8%**	2.5%	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 31/01/2004 (%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	Long-term return expected at 31/01/2002 (%p.a.)	Fair Value at 31/01/2002 £000
Equities and Property	**7.9%**	**22,044**	7.4%	16,200	7.9%	19,847
Fixed Interest	**5.4%**	**1,798**	4.9%	2,535	5.4%	7,639
Index Linked Gilts	**4.9%**	**4,307**	4.4%	4,288	4.9%	141
Insured Annuities	**5.8%**	**-**	5.9%	-	6.1%	-
Cash and Other	**4.0%**	**194**	4.0%	218	4.0%	1,038
Defined Contribution Section	**-**	**64**	-	13	-	-
		28,407		23,254		28,665
Present value of liabilities		**(37,995)**		(34,358)		(31,799)
Deficit in the plan		**(9,588)**		(11,104)		(3,134)
Related Deferred Tax		**2,876**		3,331		940
Net Pension Liability		**(6,712)**		(7,773)		(2,194)

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

Net Assets	**2004 £000**	2003 £000
Net assets excluding SSAP 24 pension asset and liability, net of related deferred tax	**29,202**	27,701
Pension liability	**(6,712)**	(7,773)
	22,490	19,928

Reserves	**2004 £000**	2003 £000
Profit and loss reserve excluding SSAP 24 pension asset, net of related deferred tax	**19,277**	17,511
Pension liability	**(6,712)**	(7,773)
Profit and loss reserve	**12,565**	9,738

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 costs - continued

Movement in deficit during the year	2004 £000	2003 £000
Deficit in scheme at beginning of the year	(11,104)	(3,134)
Movement in year:		
Current service cost	(482)	(563)
Employer contribution	729	536
Other finance (expense)/income	(499)	86
Actuarial gain/(loss)	1,768	(8,029)
Deficit in scheme at end of year	(9,588)	(11,104)

The Net Pension Liability after tax is £6,712,000 (2003: £7,773,000) made up of the liability of £7,792,000 (2003 : £8,957,000) in respect of the Alexandra 1994 Pension Fund and a surplus of £1,080,000 (2003: £1,184,000) in respect of the Alexandra Pension Fund.

It should be noted that the defined benefit schemes are 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 2004 are set out below:

Analysis of the amount charged to operating profit	2004 £000	2003 £000
Current service cost	482	563
Past service cost	-	-
Total operating charge (net of employee contributions)	482	563

Analysis of the amount credited to other finance income	2004 £000	2003 £000
Expected return on scheme assets	1,520	2,017
Interest on scheme liabilities	(2,019)	(1,931)
Net finance (expense)/income	(499)	86

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)	2004 £000	2003 £000
Actual return less expected return	3,583	(7,120)
Experience (losses)/gains	(86)	481
Changes in assumptions	(1,729)	(1,390)
Recognised actuarial gain/(loss)	1,768	(8,029)

22. Pension costs - continued

History of experience gains and losses

	2004 £000	2003 £000
Difference between actual and expected return on scheme assets	**3,583**	(7,120)
% of scheme assets	**13%**	(31%)
Experience (losses)/gains on scheme liabilities	**(86)**	481
% of scheme liabilities	**0%**	1%
Total amount recognised in statement of total recognised gains and losses	**1,768**	(8,029)
% of scheme liabilities	**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**
Group							
At 1 February 2003	**18,329**	**980**	**55**	**1,390**	**1,800**	**2,636**	**25,190**
Profit for the year	**1,369**	**-**	**-**	**-**	**-**	**-**	**1,369**
Property revaluation	**-**	**-**	**-**	**-**	**-**	**206**	**206**
Revaluation now realised	**486**	**-**	**-**	**-**	**-**	**(486)**	**-**
Exchange difference for year	**(19)**	**-**	**-**	**8**	**-**	**2**	**(9)**
At 31 January 2004	**20,165**	**980**	**55**	**1,398**	**1,800**	**2,358**	**26,756**
Company							
At 1 February 2003	**31,797**	**980**	**55**	**1,413**	**1,800**	**2,588**	**38,633**
Profit for the year	**1,564**	**-**	**-**	**-**	**-**	**-**	**1,564**
Property revaluation	**-**	**-**	**-**	**-**	**-**	**206**	**206**
Revaluation now realised	**486**	**-**	**-**	**-**	**-**	**(486)**	**-**
At 31 January 2004	**33,847**	**980**	**55**	**1,413**	**1,800**	**2,308**	**40,403**

The cumulative amount of goodwill resulting from acquisitions made in earlier financial years, which has been written off to reserves is £65,000 (2003: £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 18 to 21.

25. Reconciliation of operating profit

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

	2004 £000	2003 £000
Operating profit	**5,250**	5,248
Depreciation of tangible fixed assets	**1,590**	1,856
Amortisation of goodwill	**27**	42
Decrease in stock	**245**	2,518
(Increase)/decrease in debtors	**(337)**	417
Increase/(decrease) in creditors	**1,648**	(4,549)
Foreign exchange translation difference	**(72)**	(75)
Net cash inflow from operating activities	**8,351**	5,457

26. Reconciliation of net cash flow to movement in debt

	2004 £000	2003 £000
(Decrease)/increase in cash in the period	**(2,598)**	5,104
Cash outflow/(inflow) from decrease/(increase) in debt	**7,966**	(3,009)
Change in net debt resulting from cash flows	**5,368**	2,095
Translation difference	**(20)**	-
Movement in net debt in the period	**5,348**	2,095
Net debt at 31 January 2003	**(19,864)**	(21,959)
Net debt at 31 January 2004	**(14,516)**	(19,864)

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 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)**
Balance at 31 January 2004	**3,843**	**(10,097)**	**(8,262)**	**(14,516)**

	Cash at bank and in hand £000	Debt due within 1 year £000	Debt due after 1 year £000	Total £000
At 31 January 2002	1,356	(23,284)	(31)	(21,959)
Increase in cash	5,104	-	-	5,104
Decrease/(increase) in debt	-	8,482	(11,491)	(3,009)
Balance at 31 January 2003	6,460	(14,802)	(11,522)	(19,864)

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 8 and 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 2004 were as follows:-

	2004 Total £000	**2004 Floating rate financial liabilities £000**	**2004 Fixed rate financial liabilities £000**	2003 Total £000	2003 Floating rate financial liabilities £000	2003 Fixed rate financial liabilities £000
Currency						
Sterling	**13,040**	**13,040**	**-**	19,286	19,286	-
Moroccan Dirhams	**44**	**44**	**-**	429	429	-
US Dollars	**59**	**59**	**-**	(325)	(325)	-
Euro	**1,375**	**1,354**	**21**	476	445	31
Other	**(2)**	**(2)**	**-**	(2)	(2)	-
	14,516	**14,495**	**21**	19,864	19,833	31

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 (2003: £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 £2,203,000 (2003: £1,360,000) which are non interest bearing.

Borrowing facilities

The Group has the following undrawn committed bank facilities at 31 January 2004.

	2004 £000	2003 £000
Expiring in one year or less - subject to annual review	**13,700**	10,700
Expiring between one and two years	**-**	3,000
	13,700	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 2004.

	2004		2003	
	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	-	(254)	-	(125)
Primary financial instruments:				
Short term borrowings including finance leases	(6,254)	(6,254)	(8,342)	(8,342)
Long term borrowings including finance leases	(8,262)	(8,262)	(11,522)	(11,522)
Financial assets	2,203	2,203	1,360	1,360
	(12,313)	(12,567)	(18,504)	(18,629)

The fair value of forward contracts is determined using market values at 31 January 2004.

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 £3,551,000 (2003: £4,400,000). These were denominated in U.S. Dollars (2003: U.S. Dollars and Euros).

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.

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 29 June 2004 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 2004 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 18 to 21 of the Report and Accounts for the year ending 31 January 2004;
3. To declare a final dividend of 3.3p per ordinary share;
4. To re-elect Mr R T Wynn-Jones 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 re-appoint Solomon Hare LLP as Auditors of the Company;
6. 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 7 as an Ordinary Resolution and in the case of 8, 9 and 10 as Special Resolutions:

Ordinary Resolution

7. 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 £1,070,640, representing 32.15% 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.

Special Resolutions

8. THAT the Articles of Association of the Company be and they are hereby amended as follows:
   (a) by the deletion in Article 95, in the first line, of the words "Subject as otherwise provided in these articles" and, in the second line, of the words "subject as aforesaid".
   (b) by the deletion in the eighth line of Article 106 of the words "shall not be subject to retirement by rotation and shall not be taken into account in determining the rotation of retirement of Directors and".

9. 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 7 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
   (ii) otherwise than pursuant to (i) above up to an aggregate nominal amount of £166,468, representing 5% of the Company's issued share capital;

Notice of Meeting – continued

PROVIDED always that the authority conferred by this Resolution 9 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 2005 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.

10. 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 3,296,066 (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 2005, 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 2004

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.

Registered office: Alexandra plc, Thornbury, Bristol, BS35 2NT. Registered in England No. 229018.

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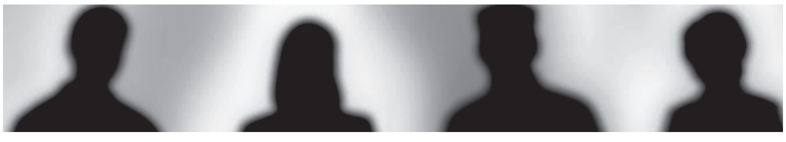

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