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## **JACQUES VERT PLC**

### **INTERIM RESULTS**

**Jacques Vert Plc**, the womenswear clothing retailer, is pleased to announce its Interim results for the 26 weeks ended 24 October 2009, together with an update on trading for the 10 weeks since that date.

The Group retails four womenswear brands: **Jacques Vert**, **Windsmoor**, **Planet** and **Precis**. Sales are made predominantly in the UK, Canada and Eire through circa 1,030 outlets and through the Group's own website and third party websites.

#### **The key points are:**

- Profit before tax was £2.9m (2008: £1.1m)
- Sales of £55.8m (2008: £54.9m) were 1.6% higher than the same period in the prior year
- Gross margin of 65.3% (2008: 62.4%)
- Cash at the period end of £9.7m (October 2008: £4.0m)
- Like for like sales in the 10 weeks since 24 October 2009 increased by 2.1% compared with the previous year which now includes online sales performance

#### **Commenting, Steve Bodger, Chairman, said:**

"I am pleased to report on a strong first half performance and an encouraging start to the second half. These results reflect a stronger product offer and the development of our online business. Although there is still turbulence in the market and we face some challenges during the remainder of the year, we are confident that we are well placed to continue growing the business."

## **Chief Executive's Statement**

### **Overview and Results**

I am pleased to report that, despite a difficult market, the Group has performed well over the 26 weeks ended 24 October 2009. Operating profit for the 26 week period was £3.0m (2008: £1.3m) and profit before tax £2.9m (2008: £1.1m), both significantly ahead of last year.

Sales for the period at £55.8m (2008: £54.9m) were 1.6% up on last year and like for like sales were 0.2 % higher than last year.

Sales performance improved continually over the period and the Autumn Winter 2009 product ranges have performed strongly. We have been particularly pleased with the performance of our online sales.

Gross margin at 65.3% compared with 62.4% last year and cash margin at £36.4m was 6.3% ahead of last year. This performance is a reflection of a stronger Autumn Winter 2009 product offer and a lower level of promotional activity than last year.

Strong management kept operating expenses at around the same level as in the same period last year: £33.4m (2008: £33.0m).

### **Cash generation**

A recurring feature of recent Group announcements has been the strong cash generation of the business. This has continued during the current period and cash at the period end amounted to £9.7m (October 2008: £4.0m).

### **Current trading and prospects**

Trading has continued to be robust since the period end. Sales in the 10 weeks since the period end are up by 6.6% compared with last year and increased by 2.1% on a like for like basis.

Gross margin also continues to be encouraging with both percentage margin and cash margin ahead of last year.

Online sales continue to develop well; in addition to the Group's own websites, our brands have launched on Debenhams.com and JohnLewis.com and the results to date are very encouraging.

While we are pleased with the performance since the period end, the second half will pose some significant challenges as the fear of higher taxes and the economic outlook may affect consumer spending; in the light of these factors we remain cautious about the remainder of the year. Nevertheless, the Group, with its portfolio of strong brands and sound financial position, is well placed to continue to perform well in the current retail environment.

**Paul Allen**  
**Chief Executive**  
11 January 2010

## Unaudited group income statement

For the 26 weeks ended 24 October 2009

	Note	26 weeks ended 24 October 2009 £000	26 weeks ended 25 October 2008 £000	52 weeks ended 25 April 2009 £000 (audited)
<b>Continuing operations</b>				
Revenue		55,776	54,901	110,884
Cost of sales		(19,375)	(20,642)	(42,652)
<b>Gross profit</b>		<b>36,401</b>	<b>34,259</b>	<b>68,232</b>
<b>Operating expenses</b>				
Distribution costs		(27,393)	(27,779)	(58,920)
Administrative expenses		(6,047)	(5,204)	(11,868)
<b>Operating profit / (loss)</b>	<b>2</b>	<b>2,961</b>	<b>1,276</b>	<b>(2,556)</b>
<i>Analysed between:</i>				
Operating profit before exceptional items		2,961	1,276	2,383
Exceptional items	<b>2</b>	-	-	(4,939)
Finance income	<b>3a</b>	12	19	27
Finance expenses	<b>3b</b>	(60)	(158)	(329)
<b>Profit / (loss) before income tax</b>		<b>2,913</b>	<b>1,137</b>	<b>(2,858)</b>
Income tax expense	<b>4</b>	(60)	(47)	(928)
<b>Profit / (loss) for the period attributable to equity shareholders</b>		<b>2,853</b>	<b>1,090</b>	<b>(3,786)</b>
<b>Basic earnings / (loss) per share</b>	<b>5</b>	<b>1.49p</b>	<b>0.57p</b>	<b>(1.97)p</b>
<b>Diluted earnings / (loss) per share</b>	<b>5</b>	<b>1.44p</b>	<b>0.56p</b>	<b>(1.97)p</b>

## Unaudited group statement of comprehensive income

For the 26 weeks ended 24 October 2009

	<b>26 weeks ended 24 October 2009</b>	26 weeks ended 25 October 2008 £000	52 weeks ended 25 April 2009 £000 (audited)
<b>Profit / (loss) for the period</b>	<b>2,853</b>	1,090	(3,786)
<b>Other comprehensive income / (expense)</b>			
Cash flow hedges net of tax	(1,785)	3,385	1,856
Currency translation differences	79	106	246
Actuarial loss arising in defined benefit pension scheme	-	-	(207)
<b>Total comprehensive income / (expense) for the period</b>	<b>1,147</b>	4,581	(1,891)

## Unaudited group statement of changes in equity

26 weeks ended 24 October 2009

	Share Capital £000	Share Premium £000	Merger Reserve £000	Hedge Reserve £000	Translation Reserve £000	Retained earnings £000	Total equity £000
Balance at 26 April 2008	19,244	4,599	969	200	-	(2,707)	22,305
Profit for the period	-	-	-	-	-	1,090	1,090
Net change in fair value of cash flow hedges	-	-	-	3,940	-	-	3,940
Fair value of cash flow hedges transferred to inventories	-	-	-	(555)	-	-	(555)
Currency translation differences	-	-	-	-	106	-	106
<b>Total comprehensive income for the period ended 25 October 2008</b>	-	-	-	3,385	106	1,090	4,581
Charge for employee share schemes	-	-	-	-	-	120	120
<b>Balance at 25 October 2008</b>	<b>19,244</b>	<b>4,599</b>	<b>969</b>	<b>3,585</b>	<b>106</b>	<b>(1,497)</b>	<b>27,006</b>
	Share Capital £000	Share Premium £000	Merger Reserve £000	Hedge Reserve £000	Translation Reserve £000	Retained earnings £000	Total equity £000
Balance at 25 April 2009	19,244	4,599	969	2,056	246	(6,973)	20,141
Profit for the period	-	-	-	-	-	2,853	2,853
Net change in fair value of cash flow hedges	-	-	-	(2,721)	-	-	(2,721)
Fair value of cash flow hedges transferred to inventories	-	-	-	936	-	-	936
Currency translation differences	-	-	-	-	79	-	79
<b>Total comprehensive income for the period ended 24 October 2009</b>	-	-	-	(1,785)	79	2,853	1,147
Purchase of own shares	-	-	-	-	-	(63)	(63)
Charge for employee share schemes	-	-	-	-	-	122	122
<b>Balance at 24 October 2009</b>	<b>19,244</b>	<b>4,599</b>	<b>969</b>	<b>271</b>	<b>325</b>	<b>(4,061)</b>	<b>21,347</b>

The Merger Reserve arose on a business combination prior to transition to IFRS which had been accounted for according to the provisions of merger accounting.

The Hedge Reserve reflects the fair value of the effective cash flow hedges, deferred in equity under the provisions of hedge accounting, less amounts recognised in hedged inventories received prior to the period end.

**Unaudited group balance sheet**  
At 24 October 2009

Note	24 October 2009 £000	25 October 2008 £000	25 April 2009 £000 (audited)
<b>Non current assets</b>			
Goodwill	2,431	2,431	2,431
Property, plant and equipment	3,108	4,301	3,703
Deferred tax asset	1,900	2,638	1,900
	<u>7,439</u>	<u>9,370</u>	<u>8,034</u>
<b>Current assets</b>			
Inventories	26,009	27,231	23,375
Trade and other receivables	9,471	10,019	10,566
Derivative financial instruments	570	4,333	3,552
Cash and cash equivalents	9,658	3,996	4,533
	<u>45,708</u>	<u>45,579</u>	<u>42,026</u>
<b>Current liabilities</b>			
Trade and other payables	(23,791)	(22,477)	(21,012)
Derivative financial instruments	-	(201)	(261)
	<u>(23,791)</u>	<u>(22,678)</u>	<u>(21,273)</u>
<b>Non current liabilities</b>			
Deferred income	(436)	(654)	(589)
Long term provisions	6 (7,251)	(4,279)	(7,623)
Pension schemes	6 (322)	(332)	(434)
<b>Total liabilities</b>	<u>(31,800)</u>	<u>(27,943)</u>	<u>(29,919)</u>
<b>Net assets</b>	<u>21,347</u>	<u>27,006</u>	<u>20,141</u>
<b>Equity</b>			
Called up share capital	19,244	19,244	19,244
Share premium	4,599	4,599	4,599
Merger reserve	969	969	969
Hedge reserve	271	3,585	2,056
Translation reserve	325	106	246
Retained earnings	(4,061)	(1,497)	(6,973)
<b>Total equity</b>	<u>21,347</u>	<u>27,006</u>	<u>20,141</u>

## Unaudited group statement of cash flows

For the 26 weeks ended 24 October 2009

	Note	<b>26 weeks ended 24 October 2009 £000</b>	26 weeks ended 25 October 2008 £000	52 weeks ended 25 April 2009 £000 (audited)
<b>Cashflows from operating activities</b>				
Operating profit before exceptional items		2,961	1,276	2,383
Cash flow from exceptional items		-	-	(404)
Loss on disposal of property, plant and equipment		60	-	-
Depreciation charge		777	801	1,660
Decrease in working capital		2,072	1,088	1,453
Decrease in provisions		(537)	(1,022)	(1,632)
Charge / (credit) relating to share based payments		122	120	(282)
<b>Net cash inflow from continuing operations</b>		<b>5,455</b>	<b>2,263</b>	<b>3,178</b>
Interest paid		(7)	(105)	(208)
Income tax paid		(108)	(125)	(189)
<b>Net cash generated from operating activities</b>		<b>5,340</b>	<b>2,033</b>	<b>2,781</b>
<b>Cashflows from investing activities</b>				
Purchase of property, plant and equipment		(180)	(658)	(1,089)
Proceeds from sale of property, plant and equipment		-	-	16
Interest received		12	19	27
<b>Net cash flow from investing activities</b>		<b>(168)</b>	<b>(639)</b>	<b>(1,046)</b>
<b>Cash flows from financing activities</b>				
(Purchase) / sale of shares by ESOP Trust		(63)	-	9
<b>Net cash flow from financing activities</b>		<b>(63)</b>	<b>-</b>	<b>9</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,109</b>	<b>1,394</b>	<b>1,744</b>
Cash and cash equivalents at beginning of period		4,533	2,511	2,511
Exchange rate movements		16	91	278
<b>Cash and cash equivalents at end of period</b>		<b>9,658</b>	<b>3,996</b>	<b>4,533</b>

## Unaudited notes to the interim financial statements

For the 26 weeks ended 24 October 2009

### 1. Basis of preparation

The consolidated interim financial information is not audited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The consolidated interim financial information for the 26 weeks ended 24 October 2009 has been prepared under AIM rule 18 and the Group has not adopted IAS 34, 'Interim financial reporting' for preparation of this information. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 25 April 2009, which have been prepared in accordance with IFRS.

Statutory accounts for the year ended 25 April 2009 were approved by the Board of directors on 6 July 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified; did not contain an emphasis of matter paragraph and did not contain a statement under section 498 of the Companies Act 2006.

### 2. Exceptional items

The Group's operating profit includes the following exceptional items:

	<b>26 weeks ended 24 October 2009 £000</b>	26 weeks ended 25 October 2008 £000	52 weeks ended 25 April 2009 £000 (audited)
Restructuring costs	-	-	(1,030)
Onerous property costs	-	-	(3,809)
Increase in other legacy provisions	-	-	(100)
	<u>-</u>	<u>-</u>	<u>(4,939)</u>

### 3. Finance income and costs

	<b>26 weeks ended 24 October 2009 £000</b>	26 weeks ended 25 October 2008 £000	52 weeks ended 25 April 2009 £000 (audited)
<b>a. Finance income</b>			
Interest receivable	<u>12</u>	<u>19</u>	<u>27</u>
<b>b. Finance charges</b>			
Interest payable	(7)	(105)	(208)
Unwinding of discount relating to provisions	(53)	(53)	(101)
Net finance cost of pension schemes	-	-	(20)
	<u>(60)</u>	<u>(158)</u>	<u>(329)</u>
<b>Net finance cost</b>	<u>(48)</u>	<u>(139)</u>	<u>(302)</u>

## Unaudited notes to the interim financial statements continued

For the 26 weeks ended 24 October 2009

### 4. Income tax expense

The income tax expense comprises:

	26 weeks ended 24 October 2009 £000	26 weeks ended 25 October 2008 £000	52 weeks ended 25 April 2009 £000 (audited)
<b>Current Tax</b>			
Overseas tax charge	(60)	(47)	(190)
<b>Deferred Tax</b>			
Origination and reversal of timing differences	-	-	(738)
	<b>(60)</b>	<b>(47)</b>	<b>(928)</b>

### 5. Earnings per Share

The basic earnings per share have been calculated by dividing the profit after taxation for the period by 191,587,309 (25 October 2008: 191,952,742; 25 April 2009: 191,955,441) being the weighted average number of shares in issue during the period excluding those held by the Employee Share Ownership Trust ("the Trust"). At 24 October 2009, 1,488,637 shares were held by the Trust (25 October 2008: 488,637; and 25 April 2009: 488,637).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is lower than the average market price of the Company's ordinary shares during the year and awards under the Jacques Vert Plc Long Term Incentive Plan ("the Plan") to the extent that performance criteria attached to those awards are expected to be met.

### 6. Provisions

	Pension schemes £000	Pension settlement costs £000	Other legacy business provisions £000	Total £000
At 27 April 2008	450	660	4,470	5,580
Utilised	(118)	(69)	(835)	(1,022)
Unwinding of discount	-	-	53	53
At 25 October 2008	332	591	3,688	4,611
	Pension schemes £000	Pension settlement costs £000	Other legacy business provisions £000	Total £000
At 26 April 2009	434	413	7,210	8,057
(Credited) to income statement	-	-	(142)	(142)
Utilised	(112)	(32)	(251)	(395)
Unwinding of discount	-	-	53	53
At 24 October 2009	<b>322</b>	<b>381</b>	<b>6,870</b>	<b>7,573</b>

At 25 April 2009, the Jacques Vert (2006) pension scheme contained a net surplus of £11.7m based on assumptions in line with IAS19. Repayment of any surplus assets in this scheme to the Group is at the discretion of the Trustee. As the Group is unable to require the Trustee to make a repayment, the surplus has not been recognised in the Group balance sheet.

## Unaudited notes to the interim financial statements continued

### For the 26 weeks ended 24 October 2009

#### 6. Provisions continued

Other legacy provisions relate to onerous leasehold property, dilapidations and claims against the Group in respect of industrial diseases, mainly asbestosis. These provisions are expected to be utilised over the next 15 years. Where applicable, future liabilities have been discounted using a rate of 10% per annum.

#### 7. Accounting policies

##### Basis of preparation

Except as described below, the accounting policies applied in the consolidated interim financial information are consistent with the financial statements for the year ended 25 April 2009.

The following new standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") are mandatory for the first time for the financial year beginning 26 April 2009 but none has had a material effect on the results or the net assets of the Group:

- *IAS 1 (revised), "Presentation of financial statements"* was issued in September 2007. It provides guidance on the required format of financial statements as prepared under IFRS. The standard is required to be adopted by the Group from May 2009. Accordingly, changes to the format of the interim statement have been made where relevant.
- *IFRS 8, Operating segments* was issued in November 2006. It replaces *IAS 14, Segmental Reporting* and requires operating segments to be disclosed on the same basis as that used for internal reporting. It is required to be implemented by the Group from May 2009.
- *IAS 23 (revised), "Borrowing costs"* was issued in March 2007. It requires that costs of obtaining funding for an entity are recognised in the same period during which the funding is made available. It is required to be implemented by the Group from May 2009.
- *IFRIC 13, "Customer loyalty programmes"* clarifies the treatment of transactions made under such schemes.
- *IFRIC 14, "IAS19 – the limit on a defined benefit asset, minimum funding requirements and their interaction"* clarifies the amount at which pension scheme assets should be recognised in the financial statements.
- Amendment to *IFRS 2, "Share based payments"* clarifies the definition of vesting conditions of some types of share-based payment.
- Amendment to *IAS 32, "Financial instruments: Presentation"* and the related amendment to *IAS 1, "Presentation of financial statements"* clarifies the treatment of certain types of financial instrument in the financial statements.

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning 26 April 2009, but are not currently relevant for the Group:

- *IFRIC 12, "Service concession arrangements"*.
- *IAS 39, "Financial Instruments: Recognition and measurement"* and *IFRS 7, "Financial Instruments: Disclosures"* on the reclassification of financial assets.

The following new standards, amendments have been issued, but are not effective for the financial year beginning 26 April 2009. They are not currently relevant for the group:

- *IFRIC 15, "Agreements for the construction of real estate"*.
- *IFRIC 16, "Hedges of a net investment in a foreign operation"*.
- *IFRIC 17, "Distributions of non-cash assets to owners"*.
- *IFRIC 18, "Transfer of assets from customers"*.
- *IFRIC 19, "Extinguishing financial liabilities with equity instruments"*.
- *IAS 39, "Financial Instruments: Recognition and measurement"* on eligible hedged items.

## Unaudited notes to the interim financial statements continued

### For the 26 weeks ended 24 October 2009

#### 7. Accounting policies continued

##### **Accounting Convention**

These unaudited financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value.

##### **Basis of consolidation**

The Group financial statements consolidate the results of Jacques Vert Plc (“the Company”) and its subsidiary undertakings (together, “the Group”) under acquisition accounting for the 26 weeks ended 24 October 2009. Under this method, the assets and liabilities of subsidiary undertakings acquired are incorporated at their fair value at the date of acquisition and the Group income statement includes only that proportion of the result of subsidiaries arising whilst meeting the definition of a subsidiary.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

##### **Revenue recognition**

Revenue represents sales by the Group to third parties, net of returns, trade discounts and value added tax.

Retail revenue is shown net of provisions for customer returns representing the Group’s estimate of the amount of product sold during the period that will be returned in the following period.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer which is generally when goods are delivered to the customer.

##### **Borrowing costs**

The costs of providing the committed borrowing facility to the Group are spread across the lifetime of the facility. Borrowing costs arising in relation to capital expenditure are not capitalised.

##### **Exceptional items**

Transactions that are material in size or have little or no impact on the core, continuing activities of the Group are considered significant enough to warrant separate disclosure in the primary financial statements. These are highlighted as Exceptional Items in the Group income statement and analysed in the notes to the financial statements. Such transactions are treated consistently in each period that they arise.

##### **Share based payments**

The Group operates an equity settled Employee Share Ownership Plan (“the ESOP”). The Group has also granted equity settled share options (“Options”). Share awards made under the ESOP and the Options are measured at fair value at the date of grant. The fair value is measured by use of the Black-Scholes model and expensed on a straight-line basis over the vesting period based on an estimate of the shares that will eventually vest.

The level of vesting is reviewed annually and the charge is adjusted to reflect actual and estimated levels of vesting.

Shares held by the Employee Share Ownership Trust (“the Trust”) to meet the commitments of the ESOP are shown as a deduction from shareholders’ equity. The cost of the ESOP is borne by the Group.

## Unaudited notes to the interim financial statements continued

For the 26 weeks ended 24 October 2009

### 7. Accounting policies continued

#### Pensions

The Group operates several defined contribution and defined benefit schemes for its employees. Defined contribution schemes are pension schemes under which the Group pays fixed contributions into separate entities. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. Defined benefit schemes are pension schemes that are not defined contribution schemes.

The liability recognised in the balance sheet in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of recognised income and expenses (SORIE) in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entities at the date of acquisition.

Goodwill is recognised as an asset and is assessed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Upon disposal of a subsidiary the attributable goodwill is included in the calculation of the profit or loss arising on disposal.

#### Taxation

The tax charge comprises current tax payable and the movement on deferred tax assets.

The current tax payable is provided on taxable profits using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is recognised at tax rates that are enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is more likely than not that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax liabilities on net earnings in overseas subsidiaries are provided only to the extent that at the balance sheet date it is probable that dividends will be remitted to the UK.

## Unaudited notes to the interim financial statements continued

For the 26 weeks ended 24 October 2009

### 7. Accounting policies continued

#### Property, plant and equipment

Property, plant and equipment are stated at the lower of cost less accumulated depreciation and recoverable amount. Depreciation is calculated so as to write off the cost of property, plant and equipment less any residual value over their estimated useful economic lives by equal annual instalments at the following rates:

Leasehold improvements	Remaining period of the lease
Plant, fixtures and equipment	10% – 33%
Freehold property	2% – 5%

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Asset carrying values are written down immediately to the estimated recoverable amount where the estimated recoverable amount is less than the carrying value.

#### Operating and leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the life of the lease.

The value of any lease incentives received on leasehold properties is recognised as deferred income and released to the income statement on a straight-line basis over the life of the lease.

#### Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value. Cost comprises the cost of direct materials and labour and an appropriate proportion of overheads. Net realisable value is the value at which inventories and work in progress can be realised in the ordinary course of business.

#### Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rates at the date of the transaction. Foreign exchange gains and losses arising from such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of subsidiaries which have a functional currency other than Sterling are translated for consolidated accounts as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- income and expenses for each income statement presented are translated at weighted average exchange rates
- all resulting exchange differences are recognised as a separate component of equity until the disposal of the relevant subsidiary when they are recycled to the income statement

## Unaudited notes to the interim financial statements continued

For the 26 weeks ended 24 October 2009

### 7. Accounting policies continued

#### Financial instruments

##### a. Trade receivables and payables

Trade receivables are recorded at their nominal amount less an allowance for doubtful debts where appropriate. Trade payables are held at their nominal value

##### b. Derivative financial instruments

The Group uses derivative financial instruments, in particular forward currency contracts, to manage the financial risks associated with the Group's underlying business activities and the financing of those activities. Such financial instruments are initially recorded at fair value and are thereafter revalued to fair value at each balance sheet date. The Group does not enter into speculative currency contracts.

Gains or losses on derivative financial instruments that are designated and effective as hedges against future cash flows are recognised directly in equity ("hedge accounting"). Any gain or loss relating to an ineffective hedge or a derivative financial instrument that does not qualify for hedge accounting is immediately recognised in the income statement, and where material as an exceptional item.

Where a hedged commitment results in the recognition of an asset or a liability, the gain or loss on the hedge previously recognised in equity is thereafter included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged commitment affects profit and loss.

Hedge accounting ceases when a financial instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss relating to the instrument that has previously been recognised in equity is retained in equity until the hedged transaction occurs.

#### Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### Provisions

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the likely outcome and the amount of the obligation can be measured with reasonable certainty. Provisions are discounted at an appropriate discount rate.

#### Impairments

Impairments are made against Group assets under the following conditions:

##### *Goodwill*

Goodwill is allocated to the Group's cash generating units ("CGU's") and the recoverable amount of each CGU is determined based on a value-in-use calculation where appropriate.

##### *Property, plant and equipment*

Property, plant and equipment is tested when circumstances indicate a possible impairment. In those circumstances a value-in-use calculation is performed.

Assumptions used in the calculations for Goodwill and Property, plant and equipment are based on performance and the latest financial plans approved by the Board. If the recoverable amount of a CGU is less than the carrying value of all assets allocated to that CGU, an impairment is recognised.

Goodwill is the first asset class to be impaired, followed by Property, plant and equipment.

**Unaudited notes to the interim financial statements** continued  
For the 26 weeks ended 24 October 2009

**7. Accounting policies** continued

**Critical estimates and judgements**

The preparation of financial statements under IFRS requires management to make estimates that affect the reported amounts of assets and liabilities, income and expenses. These estimates are based on historical experience and various other factors that are believed to be reasonable in the particular circumstance. Actual results may differ from these estimates.

The Group's critical judgment areas relate to the recognition of pension scheme assets, legacy and other business provisions, including industrial diseases, together with the assessment of the highly probable nature of cash flow hedges as follows:

*a) Pension scheme assets – Jacques Vert (2006) Pension Scheme*

Any repayment to the Group of the surplus held within the scheme at 24 October 2009 is at the discretion of the pension scheme Trustee. It is currently considered that no repayment will be made to the Group in the future.

*b) Legacy and other business provisions*

The level of provisions held against legacy and current activities is assessed with reference to payments made during the period; expectation of future payments and receipts and, where relevant, to independent advice.

*c) Cash flow hedges*

Cash flow hedges are tested for effectiveness based on estimated currency requirements assuming a substantially consistent supplier base.

**- ENDS -**