

**DATE:** Embargoed until 07.00am, Tuesday 29 June 2010

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## **JACQUES VERT PLC**

### **PRELIMINARY RESULTS**

**Jacques Vert Plc**, the womenswear clothing retailer, is pleased to announce its Preliminary results for the 52 weeks ended 24 April 2010, together with an update on trading for the nine 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 Ireland through circa 960 outlets and through the Group's own website and third party websites.

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

- Retail sales £115.3m (2009: £110.9m) were 4.0% higher than the prior year
- Like for like sales increase of 2.8%
- Gross margin of 63.7% (2009: 61.5%)
- Operating profit of £5.3m (2009: £2.6m loss after exceptional items of £4.9m)
- Profit after tax of £5.0m (2009: £3.8m loss)
- Dividend proposed, for the first time since 1995 of 0.65 pence per share representing a yield of approximately 5% based on the closing share price on 28 June 2010 and covered four times by post-tax earnings
- Year end cash of £12.6m (2009: £4.5m)
- Net assets of £23.4m (2009: £20.1m)
- Retail sales in the nine weeks since 24 April 2010 were 3.9% higher than the same period in the prior year. On a like for like basis, sales were 1.5% higher than the same period in the prior year.

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

“These are a strong set of results and a return to the dividend list after an absence of 15 years is a sign of the confidence we have in the business. These results, together with the progress that the Group has made during the year, demonstrate that the Group is now well positioned to take advantage of any opportunities that may arise in what is likely to be an unpredictable year ahead.”

## **CHAIRMAN'S STATEMENT**

The Group has performed strongly over the year with sales and profit significantly ahead of the prior year.

We have made significant progress in developing and expanding the product offer of our brands. The four brands have a clear position in the market and the product strategy identified for each brand reinforces this position. This will undoubtedly contribute to improved performance in the future.

The progress made in developing the online business is particularly exciting and we believe that there is further opportunity to grow sales from this channel through the improvement of our own websites and by exploiting relationships with third parties.

The financial position of the business has improved significantly over the last few years with a particular strength being cash generation. The Board has previously indicated that the distribution policy of the Company would be considered once the financial position permitted. The Board believes that it is in the interests of the Company and the shareholders to put a progressive dividend policy in place with the intent to pay a final dividend each year, the amount being dependant on profit and cash flow. The Board proposes a final dividend of 0.65p per share in respect of the year ended 24 April 2010.

We have strengthened our Board with the appointment of Gillian Berkmen (Group Brand and Commercial Director of Mothercare) and Jessica Burley (CEO of MCHI). They both add considerable and very useful experience to the Board. We are also making significant investment in people and systems to ensure the development of the brands and of the business as a whole.

The Company's staff has performed very well and I, and the Board as a whole, thank them for their contribution and support through the year.

The outlook for retail for the remainder of this year is very difficult to predict. We are confident, however, that we are in a good position to deal with any difficulties that we may encounter and, indeed, to take advantage of opportunities that may arise.

**Steve Bodger** Chairman  
28 June 2010

## **CHIEF EXECUTIVE'S STATEMENT**

### **Overview and results**

I am pleased to report a strong set of results for the year ended 24 April 2010. This performance was a direct consequence of a strong product offer and also a significantly improved performance in the Group's online trading. Stock and costs were managed tightly and gross margin increased ensuring that profit before tax was ahead of the prior year.

Operating profit for the year at £5.3m compares to an operating profit last year before exceptional items of £2.4m and an operating loss after exceptional items of £2.6m.

Sales of £115.3m (2009: £110.9m) represented an increase of 4%, compared to last year, and an increase of 2.8% on a like for like basis compared to last year. Performance across the business has been good; however we are particularly pleased with the performance of the Jacques Vert and Precis brands. We mentioned, at the time of our interims, the strong performance of the online channel and I am pleased to note that this performance continued in the second half. We have also continued our strategy to exit from those concessions which do not achieve a designated minimum profit and return on investment.

The better product offer has been reflected in increased gross margin for the year at 63.7% compared with 61.5% last year.

Distribution costs are ahead of last year by 2%, reflecting a combination of costs relating to new selling space and the investment in the online channel.

Administrative expenses are significantly ahead of last year. This is due to a substantial investment in the online channel; but also includes a significant level of one off costs, which are not expected to recur.

### **Cash and financing**

Cash generation has continued to be robust and cash at the year end amounted to £12.6m (2009: £4.5m). The cash position has been aided by continued emphasis on managing working capital.

Capital expenditure of £1.1m (2009: £1.1m) was in line with last year and mainly related to the refurbishment of stores and concessions.

### **Dividend**

The Board has previously indicated the desire to return to the dividend list but it would do so only when the financial position of the Company is strong enough to sustain the payment of a dividend. Given the progress that has been made in strengthening the financial position of the Company the Board now believes that the time is right for the Company to start to pay a dividend.

The Board therefore proposes a final dividend of 0.65p per share in respect of the year ended 24 April 2010.

## **CHIEF EXECUTIVE'S STATEMENT** continued

### **Current trading and prospects**

Trading in the nine weeks since the year end has continued to be positive with like for like sales up 1.5% compared with last year. Margin is also ahead of last year, although, given the recent weakness in Sterling and increasing supplier cost pressures, we expect margins to come under pressure during the remainder of this financial year.

In order to develop further our online business we are upgrading our online platform and also looking at replacing our enterprise system to support the growth of our multi channel strategy. This significant investment, amounting to around £3m in total, will be made over the next 18 months and will enable the Company to meet its objective of having more diversified routes to market.

Despite our strong start to the new financial year, our outlook for the remainder of this year is cautious in view of the prevailing economic climate. Stock and costs have been controlled well, cash will continue to be managed carefully and we will take steps to ensure the business is protected against the difficult economic environment.

**Paul Allen** Chief Executive  
28 June 2010

## Group income statement

For the 52 weeks ended 24 April 2010

	Note	52 weeks ended 24 April 2010	52 weeks ended 25 April 2009		
		Total £000	Before exceptional items £000	Exceptional Items (note 2) £000	Total £000
<b>Continuing operations</b>					
Revenue		<b>115,320</b>	110,884	-	110,884
Cost of sales		<b>(41,815)</b>	(42,652)	-	(42,652)
<b>Gross profit</b>		<b>73,505</b>	68,232	-	68,232
<b>Operating expenses</b>					
Distribution costs		<b>(56,856)</b>	(55,801)	(3,119)	(58,920)
Administrative expenses		<b>(11,302)</b>	(10,048)	(1,820)	(11,868)
<b>Operating profit / (loss)</b>		<b>5,347</b>	2,383	(4,939)	(2,556)
Finance income	<b>3a</b>	<b>19</b>			27
Finance costs	<b>3b</b>	<b>(247)</b>			(329)
<b>Profit / (loss) before income tax</b>		<b>5,119</b>			(2,858)
Income tax expense	<b>4</b>	<b>(150)</b>			(928)
<b>Profit / (loss) for the year attributable to equity holders of the Group</b>		<b>4,969</b>			(3,786)
<b>Earnings per share for profit / (loss) attributable to the equity holders of the Group during the year</b>					
<b>Basic earnings / (loss) per share</b>		<b>2.60p</b>			(1.97)p
<b>Diluted earnings / (loss) per share</b>		<b>2.51p</b>			(1.97)p

## Group statement of comprehensive income

For the 52 weeks ended 24 April 2010

	<b>52 weeks ended 24 April 2010</b>	52 weeks ended 25 April 2009
	<b>£000</b>	£000
Profit / (loss) for the year	<b>4,969</b>	(3,786)
Actuarial loss arising in defined benefit pension schemes	<b>(108)</b>	(207)
Cash flow hedges	<b>(2,102)</b>	1,856
Currency translation differences	<b>330</b>	246
Other comprehensive (expenses) / income for the year	<b>(1,880)</b>	1,895
<b>Total recognised income / (expense) for the year attributable to equity holders of the Group</b>	<b>3,089</b>	(1,891)

## Group statement of changes to equity

For the 52 weeks ended 24 April 2010

	Share capital £000	Share premium £000	Merger reserve £000	Hedge reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
<b>Balance at 26 April 2008</b>	19,244	4,599	969	200	-	(2,707)	22,305
Loss for the year	-	-	-	-	-	(3,786)	(3,786)
Actuarial loss on pension schemes	-	-	-	-	-	(207)	(207)
Net change in fair value of cash flow hedges	-	-	-	3,099	-	-	3,099
Fair value of cash flow hedges transferred to inventories	-	-	-	(1,243)	-	-	(1,243)
Exchange rate movements	-	-	-	-	246	-	246
<b>Total comprehensive income for the 52 weeks to 25 April 2009</b>	-	-	-	1,856	246	(3,993)	(1,891)
Adjustment for employee share schemes	-	-	-	-	-	(282)	(282)
Sales of shares in ESOP Trust	-	-	-	-	-	9	9
<b>Balance at 25 April 2009</b>	19,244	4,599	969	2,056	246	(6,973)	20,141
Profit for the year	-	-	-	-	-	4,969	4,969
Actuarial loss on pension schemes	-	-	-	-	-	(108)	(108)
Net change in fair value of cash flow hedges	-	-	-	(3,037)	-	-	(3,037)
Fair value of cash flow hedges transferred to inventories	-	-	-	935	-	-	935
Exchange rate movements	-	-	-	-	330	-	330
<b>Total comprehensive income for the 52 weeks to 24 April 2010</b>	-	-	-	(2,102)	330	4,861	3,089
Adjustment for employee share schemes	-	-	-	-	-	243	243
Purchase of shares in ESOP Trust	-	-	-	-	-	(63)	(63)
<b>Balance at 24 April 2010</b>	<b>19,244</b>	<b>4,599</b>	<b>969</b>	<b>(46)</b>	<b>576</b>	<b>(1,932)</b>	<b>23,410</b>

The merger reserve arose on 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 effective cash flow hedges, deferred in equity under the provisions of hedge accounting, less amounts recognised in hedged inventories, received prior to the year end.

**Group balance sheet**  
At 24 April 2010

	Note	24 April 2010 £000	25 April 2009 £000
<b>Non current assets</b>			
Goodwill		2,431	2,431
Property, plant and equipment		3,175	3,703
Deferred tax asset		1,900	1,900
		<u>7,506</u>	<u>8,034</u>
<b>Current assets</b>			
Inventories		22,489	23,375
Trade and other receivables		11,510	10,566
Derivative financial instruments		894	3,552
Cash and cash equivalents		12,602	4,533
		<u>47,495</u>	<u>42,026</u>
<b>Current liabilities</b>			
Trade and other payables		(23,500)	(21,012)
Derivative financial instruments		(640)	(261)
		<u>(24,140)</u>	<u>(21,273)</u>
<b>Non current liabilities</b>			
Deferred income		(504)	(589)
Long term provisions	7	(6,303)	(7,623)
Pension schemes	7	(644)	(434)
		<u>(31,591)</u>	<u>(29,919)</u>
<b>Net assets</b>		<u>23,410</u>	<u>20,141</u>
<b>Equity</b>			
Called up share capital		19,244	19,244
Share premium		4,599	4,599
Merger reserve		969	969
Hedge reserve		(46)	2,056
Translation reserve		576	246
Retained earnings		(1,932)	(6,973)
<b>Total equity</b>		<u>23,410</u>	<u>20,141</u>

## Group cash flow statement

For the 52 weeks ended 24 April 2010

	52 weeks ended 24 April 2010 £000	52 weeks ended 25 April 2009 £000
<b>Cashflows from operating activities</b>		
Operating profit before exceptional items	5,347	2,383
Cash outflow from exceptional items	-	(404)
Loss on disposal of property, plant & equipment	16	-
Depreciation charge	1,683	1,660
Decrease in working capital	3,577	1,453
Decrease in provisions	(1,455)	(1,632)
Charge / (credit) relating to share based payments	243	(282)
<b>Net cash inflow from continuing operations</b>	<b>9,411</b>	<b>3,178</b>
Interest paid	(9)	(208)
Income tax paid	(232)	(189)
<b>Net cash generated from operating activities</b>	<b>9,170</b>	<b>2,781</b>
<b>Cashflows from investing activities</b>		
Purchase of property, plant and equipment	(1,078)	(1,089)
Proceeds from sale of property, plant and equipment	-	16
Interest received	19	27
<b>Net cash outflow used in investing activities</b>	<b>(1,059)</b>	<b>(1,046)</b>
<b>Cash flows from financing activities</b>		
(Purchase) / sale of shares by ESOP Trust	(63)	9
<b>Net cash (used) / generated in financing activities</b>	<b>(63)</b>	<b>9</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,048</b>	<b>1,744</b>
Cash and cash equivalents at beginning of period	4,533	2,511
Exchange rate movements	21	278
<b>Cash and cash equivalents at end of period</b>	<b>12,602</b>	<b>4,533</b>

# Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

## 1. Basis of preparation

For the period to 24 April 2010, the Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Accordingly, the directors have applied the accounting policies set out in Note 8.

The figures for the 52 weeks ended 24 April 2010 included in this announcement have been extracted from the audited financial statements for the 52 weeks ended 24 April 2010 which were approved by the Board of Directors on 28 June 2010. The figures for the 52 weeks ended 24 April 2010 and 52 weeks ended 25 April 2009 do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The figures for the 52 weeks period ended 25 April 2009 have been extracted from the financial statements filed with the Register of Companies and contain an unqualified audit report and no statements under sections 498(2) or 498(3) of the Companies Act 2006.

## 2. Exceptional items

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

	<b>52 weeks ended 24 April 2010 £000</b>	52 weeks ended 25 April 2009 £000
Restructuring costs	-	(1,030)
Onerous property costs	-	(3,809)
Increase in other legacy provisions	-	(100)
	<hr/>	<hr/>
	-	(4,939)
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Onerous property costs in the prior year include £3,119,000 relating to impairments made against two onerous leasehold properties and have been charged as distribution costs. The balance relates to administrative costs.

Legacy provisions relate to activities acquired as part of William Baird Ltd (formerly William Baird PLC) and considered by the Directors to constitute separate activities.

## 3. Finance income and costs

	<b>52 weeks ended 24 April 2010 £000</b>	52 weeks ended 25 April 2009 £000
<b>a) Finance income</b>		
Interest receivable	<b>19</b>	27
	<hr/>	<hr/>
<b>b) Finance costs</b>		
Interest payable	<b>(10)</b>	(208)
Unwinding of discount on provisions	<b>(106)</b>	(101)
Net finance cost of pension schemes	<b>(131)</b>	(20)
	<hr/>	<hr/>
	<b>(247)</b>	(329)
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

### 4. Income tax expense

	52 weeks ended 24 April 2010 £000	52 weeks ended 25 April 2009 £000
The income tax expense comprises:		
<b>Current tax</b>		
Overseas tax charge	(150)	(190)
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(738)
	<u>(150)</u>	<u>(928)</u>

### 5. Earnings per share

#### Basic / diluted earnings / (loss) per share

The basic earnings per share have been calculated by dividing the profit after taxation for the year by the weighted average number of shares in issue during the year excluding those held by the Employee Share Ownership Trust ("the Trust"). At 24 April 2010 1,398,178 shares were held in the Trust (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 Directors where the exercise price is lower than the average market price of the Company's ordinary shares during the year and the 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.

	24 April 2010	25 April 2009
<b>Profit / (loss) for the year (£000)</b>	<u>4,969</u>	<u>(3,786)</u>
Weighted average number of ordinary shares in issue (thousands)	192,444	192,444
Adjustment for shares held by the Trust	(1,082)	(489)
<b>Weighted average number of ordinary shares in issue for basic earnings per share (thousands)</b>	<u>191,362</u>	<u>191,955</u>
Dilutive shares – shares committed under the Plan	6,762	-
<b>Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)</b>	<u>198,124</u>	<u>191,955</u>
<b>Basic earnings / (loss) per share</b>	<u>2.60p</u>	<u>(1.97)p</u>
<b>Diluted earnings / (loss) per share</b>	<u>2.51p</u>	<u>(1.97)p</u>

## Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

### 6. Dividends

The Directors propose a final dividend of 0.65p per share (2009: £nil) amounting to £1,250,000 (2009: £nil). The final dividend will be paid on 15 October 2010 to shareholders whose names are on the Register of Members at the close of business on 17 September 2010.

### 7. Provisions

	Pension schemes £000	Pension settlement costs £000	Other business provisions £000	Total £000
<b>At 26 April 2008</b>	450	660	4,470	5,580
Utilised	(243)	(347)	(1,042)	(1,632)
Charged to the income statement	20	100	3,681	3,801
Actuarial loss on pension schemes	207	-	-	207
Discount unwinding	-	-	101	101
<b>At 25 April 2009</b>	434	413	7,210	8,057
Utilised	(229)	(208)	(1,175)	(1,612)
Charged to the income statement	331	21	(64)	288
Actuarial loss on pension schemes	108	-	-	108
Discount unwinding	-	-	106	106
<b>At 24 April 2010</b>	<b>644</b>	<b>226</b>	<b>6,077</b>	<b>6,947</b>

Of the provisions held at the year end, £1,840,000 is expected to be utilised within the next 12 months. The remaining provisions are expected to be utilised within 20 years.

Other business provisions relate to onerous leasehold property, dilapidations and claims against the Group in respect of industrial diseases, mainly asbestosis.

## Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

### 8. Accounting policies

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 financial statements 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. Under IFRS 8 the Directors have determined that the Group operates in one business segment, namely retailing of ladies clothing.
- 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 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.
- IFRS 2 (amendment), “Share based payments” clarifies the definition of vesting conditions of some types of share-based payment.
- IAS 32 (amendment), “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.
- IFRIC 13, “Customer loyalty programmes” clarifies the treatment of transactions made under such schemes.
- IFRS 1 (revised), “First-time adoption”.
- IFRS 3 (revised), “Business combinations”.
- IAS39 (amendments), “Financial instruments, recognition and measurements”.
- IAS 27 (revised), “Consolidation and separate financial statements”.
- IFRIC 9 (amendment) and IAS 39 (revised), regarding embedded derivatives.
- IFRS 7, “Financial instruments disclosures” on fair value hierarchy.

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.
- IFRS 6, “Financial instruments on classification and measurement”.
- IAS 24 (amendment), “Related party disclosures”.
- IFRS 1, “First-time adoption” on “Additional exemptions”.

## Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

### 8. Accounting policies continued

#### Accounting convention

The consolidated 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 52 weeks ended 24 April 2010. 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 year that will be returned in the following year. 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 borrowing facilities to the Group are spread across the lifetime of those facilities. Borrowing costs arising in relation to capital expenditure are not capitalised.

#### Exceptional items

Transactions that are material in size and 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 (“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 number of 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.

## Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

### 8. 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 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 Group statement of comprehensive income in the period in which they arise.

Actuarial surpluses in defined benefit schemes are recognised in the Group balance sheet to the extent of the expected future cash receipts from the schemes.

#### 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 Group 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 assets are calculated 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.

## Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

### 8. 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 leases

Rentals payable under operating leases are charged to the Group 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.

#### Trade receivables

Trade receivable are amounts due from customers for merchandise sold in the ordinary course of business. Trade receivables are recognised at fair value less any provision for impairment.

#### 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Group income statement.

The results and financial position of subsidiaries which have a functional currency other than Sterling are translated 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 Group income statement.

## Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

### 8. Accounting policies continued

#### Financial instruments

##### a. Trade receivables and payables

Trade receivables are recorded at their nominal amount less an allowance for any doubtful debts. 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 as effective 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 Group 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 in respect of a financial instrument when it 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 comprise 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.

## Notes to the Preliminary Results

For the 52 weeks ended 24 April 2010

### 8. 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 judgement 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 cashflow 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 April 2010 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; expectations 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 -