



# NEW LOOK

2011 ANNUAL REPORT AND ACCOUNTS





## CONTENTS

### BUSINESS REVIEW

Our marketplace	2
Our business today	4
Chairman's statement	8
Year in review	9
New Look in brief	13
New initiatives	14
New experiences	18
New ways to shop	23
New markets	27
New commitments	30
Corporate responsibility	33
Risk and uncertainties	36
Financial review	38

### GOVERNANCE

Board of Directors	42
Statement of Directors' responsibilities	44
Other matters	45

### FINANCIAL STATEMENTS

Independent auditors' report – Group accounts	47
Consolidated income statement	48
Consolidated statement of comprehensive income	49
Consolidated balance sheet	50
Consolidated statement of changes in equity	51
Consolidated statement of cash flows	52
Notes to the Group financial statements	53
Independent auditors' report – Company accounts	86
Company balance sheet	87
Notes to the Company financial statements	88
Contacts	92

FIND OUT MORE THROUGH OUR ONLINE CHANNELS AT: [NEWLOOK.COM](http://NEWLOOK.COM)

 [DAILY.NEWLOOK.COM](http://DAILY.NEWLOOK.COM)

 [M.NEWLOOK.COM](http://M.NEWLOOK.COM)

 [WWW.FACEBOOK.COM/NEWLOOKFASHION](http://WWW.FACEBOOK.COM/NEWLOOKFASHION)

 [WWW.TWITTER.COM/NEWLOOKFASHION](http://WWW.TWITTER.COM/NEWLOOKFASHION)

 [FUTUREFABFASHION.NEWLOOK.COM](http://FUTUREFABFASHION.NEWLOOK.COM)

 [WWW.YOUTUBE.COM/NEWLOOKTV](http://WWW.YOUTUBE.COM/NEWLOOKTV)



**NEW LOOK** IS ABOUT OUR PEOPLE, OUR CUSTOMERS AND OUR PRODUCT – WORKING TOGETHER TO DELIVER GREAT UP TO THE MINUTE FASHIONS AT GREAT VALUE FOR MONEY PRICES.

FROM OUR FIRST STORE IN TAUNTON WHICH OPENED IN 1969, NEW LOOK TODAY HAS OVER **1,000 STORES** ACROSS THE GLOBE AND THROUGH OUR AWARD-WINNING WEBSITE NOW SERVES OVER **120 COUNTRIES** WORLDWIDE.

ONE OF THE REASONS WE'RE SO POPULAR IS BECAUSE OUR OWN PEOPLE ARE **A REFLECTION OF OUR CUSTOMERS**. LIKE THEM, WE'RE PASSIONATE ABOUT FASHION, IMPATIENT, FUN AND EXCITED ABOUT THE FUTURE.

UNDOUBTEDLY FY11 HAS BEEN A CHALLENGING YEAR AND WE ARE DISAPPOINTED WITH OUR PERFORMANCE. IMPORTANTLY, WE HAVE RECOGNISED AND LEARNED FROM OUR MISTAKES AND **LOOK AHEAD TO A YEAR OF RECOVERY** THROUGH CONSTANT IMPROVEMENT AND RE-INVENTION AND THROUGH FOCUSED STRATEGIES AND INNOVATIVE THINKING.

## OUR MARKETPLACE

# A UNIQUE POSITIONING

## PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

### DID YOU KNOW?

44% of women bought womenswear from New Look in the last year – that's 10.7 million individuals

Source: Kantar Worldpanel, females aged 12+ years excluding Northern Ireland, Womenswear includes Women's Outer/Sports, Nightwear, Underwear, Hosiery, Footwear & Accessories, 52 w/e 20 March 2011

The average age of the New Look shopper is 32

Source: Kantar Worldpanel, Women's Clothing & Accessories, 52 w/e 20 March 2011

On average a shopper spends £73 on women's clothing and accessories per year and £37 on footwear

Source: Kantar Worldpanel, 52 w/e 20 March 2011

New Look is the No. 2 retailer in value and volume in women's footwear

Source: Kantar Worldpanel, 52 w/e 20 March 2011

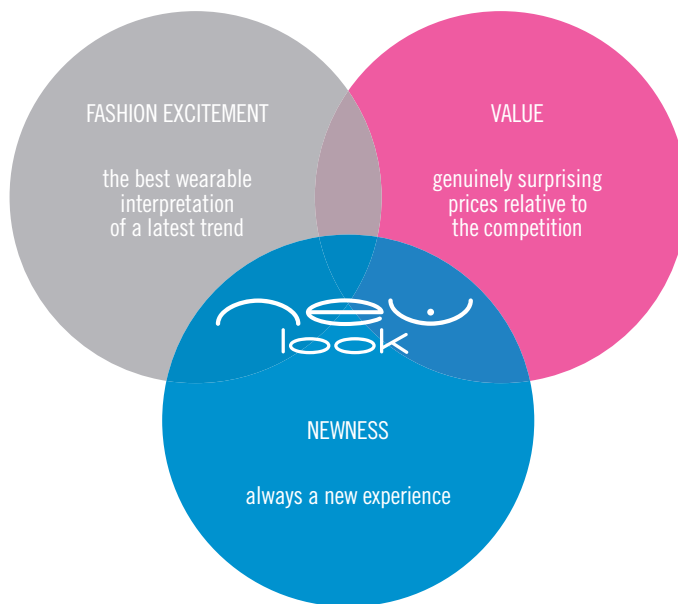
79% of New Look shoppers visit the store at least once a month

Source: ICM exits survey, Apr 2010 – March 2011

New Look is the No. 1 retailer in value and volume for the under 35s

Source: Kantar Worldpanel, 52 w/e 20 March 2011

### COMPELLING PROPOSITION



### Our marketplace

New Look is the second largest womenswear and accessories retailer in the UK with 5.8% value share. We are also the largest retailer by value in the under 35 market\*.

\* Source: Kantar Worldpanel 52 w/e 20 March 2011

### What we offer?

New Look discovers what is new and exciting in fashion and offers customers the latest trends at great value for money prices. We give our customers what they want to wear, at a price they want to pay, when they want to wear it – in-store, online or however they choose to shop. We are a constant source of styling inspiration for different looks whether customers are looking for going out party dresses with killer heels, casual tops or hot denim.

### Our customers

Without our customers, we'd just be another high street retailer – with their ideas, we are New Look.

Our customers love fashion and want as much as they can get their hands on. For them, fashion is about an attitude that is fun, cheerful, optimistic and sociable. They are part of a 24/7 fashion conversation. They glean their ideas from everywhere.

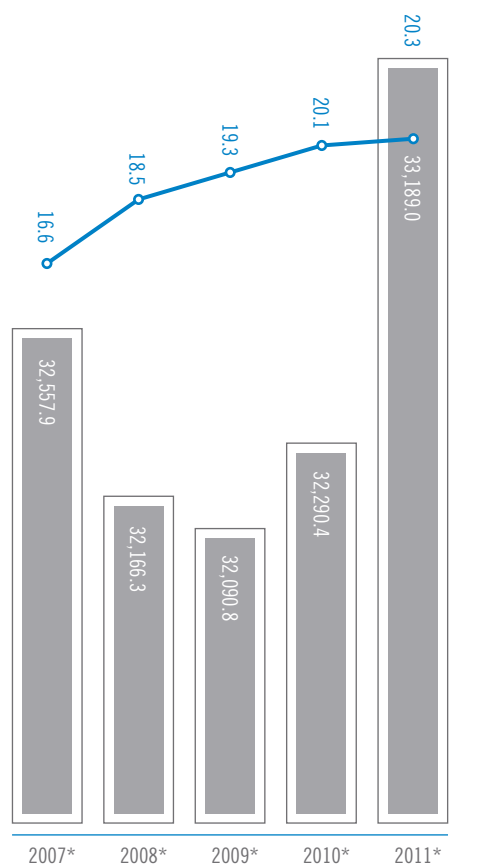
### How we behave?

We are not a 9-5 fashion retailer working in seasons; we're a round-the-clock fashion brand that crosses over in the worlds of celebrity, TV and music. The way we behave can be summed up as real-time fashion – always on, in the moment, responsive and ready to listen.

## UK CLOTHING MARKET

The UK clothing market was worth £32.3 billion in 2010, with women's clothing, footwear and accessories accounting for 57% of this\*. Within the overall UK clothing market, New Look operates in the growing value segment, which has shown considerable growth in recent years. While the value segment has been challenging since mid 2010 and is likely to continue to remain tough in the short-term, the longer-term outlook for value clothing remains positive.

\*Source: Kantar Worldpanel 52 w/e 23 Jan 2011



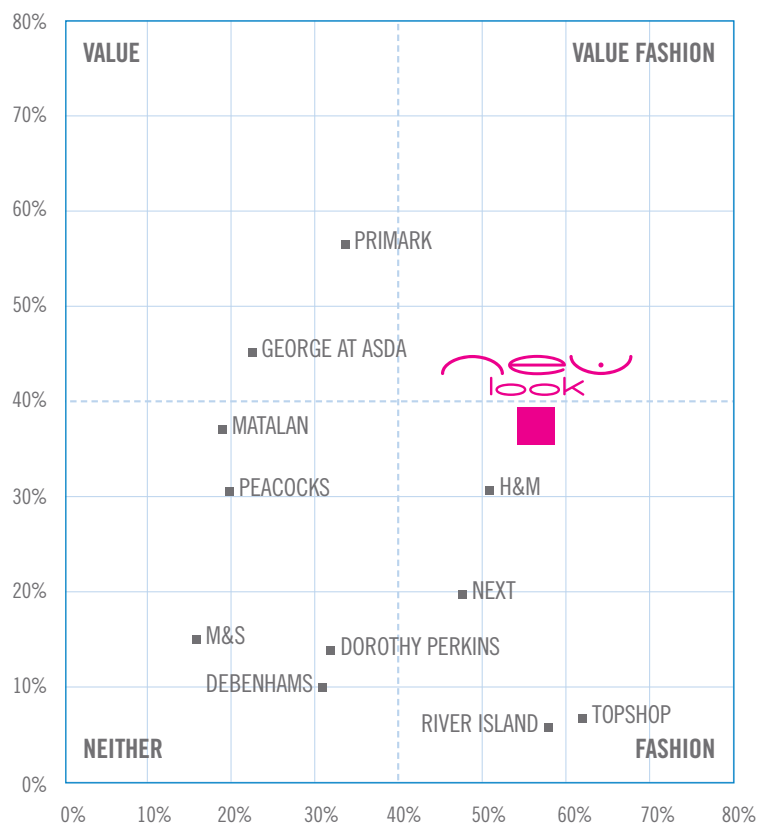
■ Total clothing footwear and accessories – womenswear (£m)  
 ■ Value share (%)

\*Year ending Jan

## DISTINCT MARKET POSITION

New Look occupies a distinct position relative to its peers, offering an irresistible combination of fashion and value. We strive to deliver the best wearable interpretation of the latest trends at genuinely surprising prices and quality relative to the competition.

## FASHION VS VALUE MATRIX



Ratings: Good value for the money vs Are fashionable

Source: Millward Brown Brand and Ad Tracker – All respondents – 12 w/e 14/03/11

OUR BUSINESS TODAY

# EXTENDING OUR REACH

TODAY WE HAVE OVER  
1,000 STORES WORLDWIDE

E-COMMERCE NOW SERVES OVER 120 COUNTRIES  
ACROSS THE GLOBE FROM OUR UK WEBSITE



**Belgium**  
 New Look stores 12 (2010: 10)  
 Space 113,000 (2010: 103,000) sq ft  
 Mim stores 7 (2010: 8)  
 Space 19,000 (2010: 21,000) sq ft

**France**  
 New Look stores 30 (2010: 21)  
 Space 235,000 (2010: 220,000) sq ft  
 Mim stores 293 (2010: 299)  
 Space 637,000 (2010: 643,000) sq ft

**Malta**  
 Franchise stores 1 (2010: 0)  
 Space 11,000 (2010: 0) sq ft

**Netherlands**  
 New Look stores 6 (2010: 1)  
 Space 27,000 (2010: 11,000) sq ft

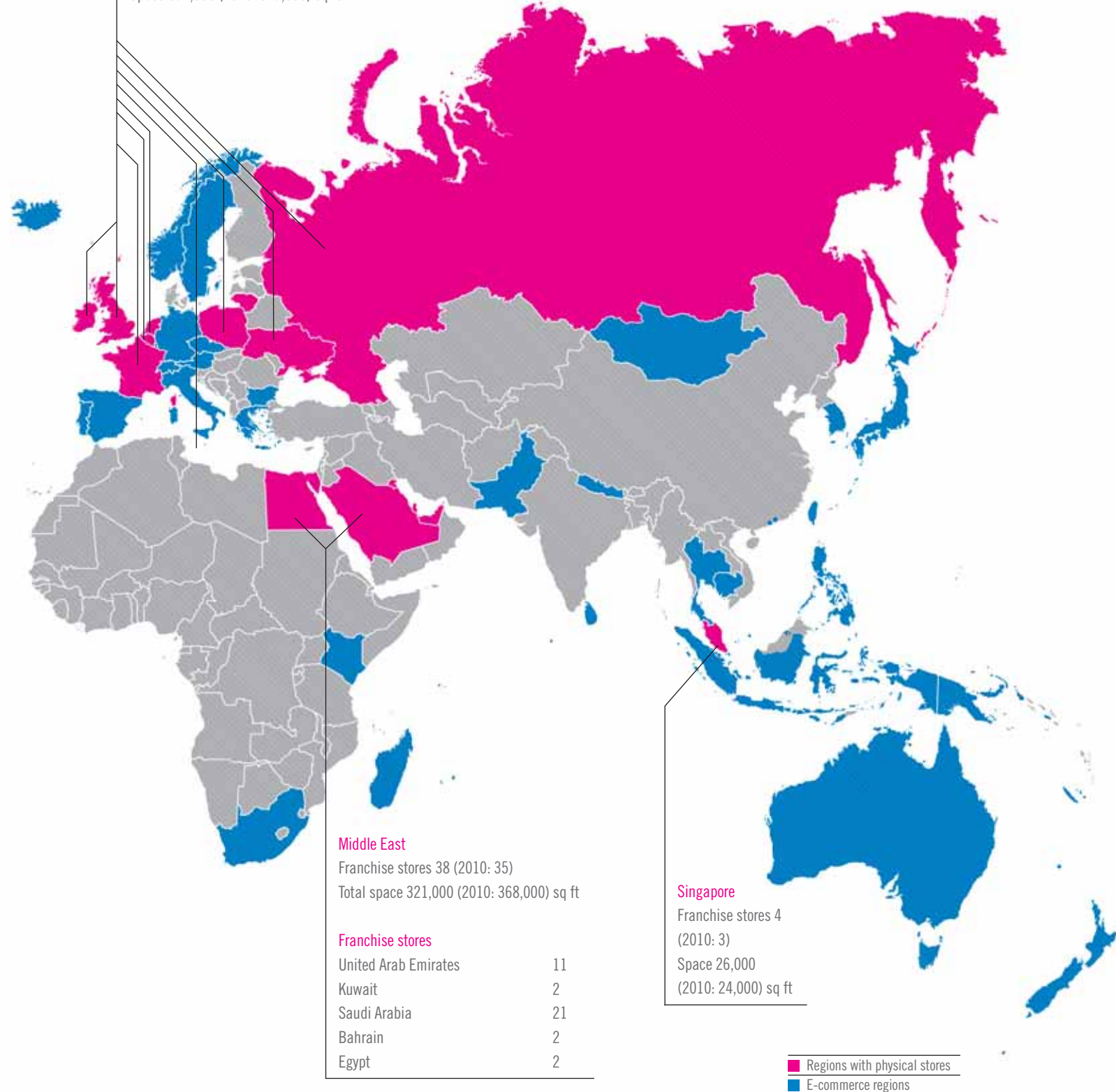
**Poland**  
 Franchise stores 5 (2010: 2)  
 Space 35,000 (2010: 11,000) sq ft

**Republic of Ireland**  
 New Look stores 29 (2010: 28)  
 Space 245,000 (2010: 215,000) sq ft

**Russia**  
 Franchise stores 17 (2010: 9)  
 Space 120,000 (2010: 57,000) sq ft

**Ukraine**  
 Franchise stores 2 (2010: 0)  
 Space 13,000 (2010: 0) sq ft

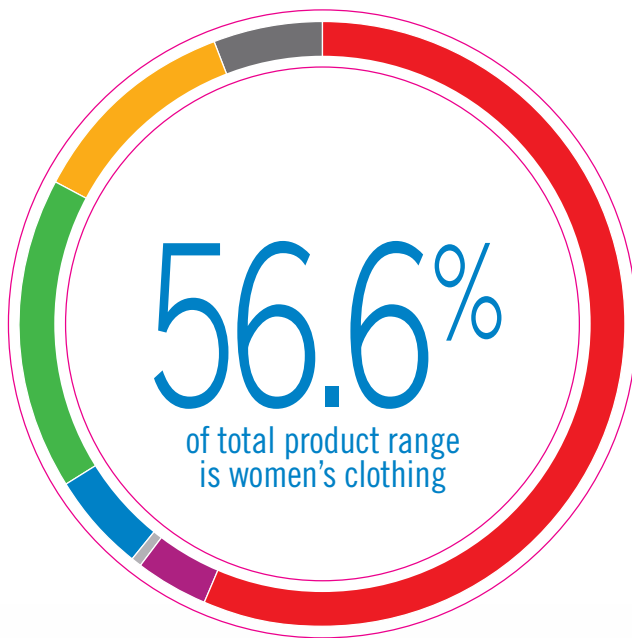
**United Kingdom**  
 New Look stores 607 (2010: 602)  
 Space 3,985,000 (2010: 3,800,000) sq ft



# OUR BUSINESS TODAY

# SHOWCASING OUR PRODUCT

## FY11 REVENUE SPLIT BY PRODUCT MIX



Revenue mix by product category relates to New Look brand sales only (i.e. excluding MIM and Franchise)

### PRODUCT MIX

<span style="color: red;">■</span> Womenswear (clothing)	56.6%
<span style="color: purple;">■</span> Menswear	3.8%
<span style="color: grey;">■</span> Childrenswear	0.5%
<span style="color: blue;">■</span> Generation	5.4%
<span style="color: green;">■</span> Footwear	16.6%
<span style="color: orange;">■</span> Other accessories	11.5%
<span style="color: darkgrey;">■</span> Concessions	5.6%

## WOMENSWEAR

Women's clothing is our key segment, generating 56.6% of total brand sales last year. Women's footwear and accessories accounted for a further 28.1% of total brand sales last year. We are the Number 2 retailer in the UK women's clothing and accessories market with 5.8% value share\*. We are the Number 1 retailer in dresses in both volume and value and the Number 1 retailer in value in the women's under 35 market\*. We are also the Number 2 volume retailer in women's footwear\*. In addition to core womenswear wardrobe essentials we offer specialty sub-brands that target specific customer segments, such as Inspire for plus sizes, Maternity and Yes Yes (denim). We also offer exclusive designer and celebrity collaborations including Idol and Limited Edition.

## KEY ACHIEVEMENTS

- No 2. position by value in UK women's clothing and accessories and No. 1 in value for women's under 35 market\*
- Idol launched its 8th womenswear range
- Continued sponsorship of Giles Deacon at London Fashion Week

\*Source: Kantar Worldpanel, women's clothing and accessories, 52 w/e 20 March 2011



## MENSWEAR

Our menswear range generated 3.8% of total brand sales in FY11 and constitutes 0.4% of the UK market\*. Our range is traded in over 200 New Look stores and 34 franchise stores. We aim to increase our share in the fragmented UK value menswear market through range extension to include a greater number of wardrobe essentials, formal menswear products and accessories, rolling out a new menswear in-store look and feel and increasing our online offering.

\*Source: Kantar Worldpanel, menswear, 52 w/e 20 March 2011

## KEY ACHIEVEMENTS

- Launched New Look's first ever Men's Idol range
- Two new designer collaborations with Giles Deacon for Men
- Men's footwear and accessories delivered strong growth year-on-year driven by formal shoes and new product categories including watches, bags and wallets

## CHILDRENSWEAR AND TEENWEAR (GENERATION)

Childrenswear and teenwear generated 0.5% and 5.4% of total brand sales respectively in FY11 and is currently available in 78 and 435 stores respectively. We are the UK market leader in ages 9 – 15 (915) through our Generation range\*. We aim to grow market share in ages 2 – 10 on the back of this success. Our core categories are girls' tops, denim and dresses and boys' jackets, denim and shirts.

\*Source: Kantar Worldpanel, 915, 52 w/e 20 March 2011

## KEY ACHIEVEMENTS

- In a tough trading environment we have maintained our position as market leaders in the teenwear market with 9.8% value share\*  
\* Source: Kantar Worldpanel 52 w/e 20 March 2011
- Overall sales were strong delivering level performance on the year with outperformance from dresses, trousers, shorts and sweats
- Excluding franchise stores, 915 today trades from 390 stores and childrenswear from 49 New Look stores



# NAVIGATING THROUGH CHALLENGING TIMES



**NEW LOOK IS A GREAT BRAND OPERATING IN ATTRACTIVE MARKETS AND I AM VERY EXCITED TO BE JOINING THE BUSINESS. ALONGSIDE FOUNDER TOM SINGH AND THE REST OF THE NEW LOOK TEAM, I WILL BE WORKING TO ENSURE WE ARE FOCUSED ON DELIVERING GREAT PRODUCT AND THE PERFORMANCE OUR CUSTOMERS HAVE COME TO EXPECT OF US.**

The year of FY11 has undoubtedly been one of challenge, requiring the business to navigate through a difficult period. The relocation of central buying, merchandising and design teams from Weymouth to central London in late 2009 caused significant disruption during the subsequent transition period, the impact of which was exacerbated by deteriorating macro-economic conditions and increased inflationary pressures across the supply chain. Despite these challenges, New Look has built a strong platform for future growth and remains committed to achieving its long-term ambition of becoming a truly international value fashion retailer.

We are clearly disappointed with last year's performance and recognise actions need to be taken to address the issues outlined in the Business Review. We have not done a good enough job listening to our customers or been quick enough to respond to their needs in an increasingly competitive, fast-paced environment. We are very mindful of the pressures on household disposable incomes and our customers' uncertainty over the future and acknowledge we need to do a better job of reinforcing our value credentials. We need to work harder to offer our customers better fashionability and better value than our competitors, without compromising quality. In an increasingly crowded marketplace, where many retailers today are establishing themselves as 'low cost', and at a time when consumer priorities are tilting more towards price and quality, New Look must focus on delivering best value for money – i.e. a winning combination of price, superior quality and must have fashionability, not just lowest price. Above all, we need to refocus on delivering the great product our customers have come to expect of us and remind them what makes New Look different.

New Look's commitment to ethical trading is also central to how we operate. We know social responsibility issues matter to our customers and that the economic climate has not altered their level of concern. Social responsibility for New Look is about meeting all stakeholders' expectations and good sustainability management is integral to effective risk management. We were therefore

deeply disappointed last year to learn of the issues highlighted in the Channel 4 Dispatches programme but satisfied with the findings of an independent investigation carried out by a third party, which concluded New Look took immediate and appropriate actions to deal with the situation. New Look is fully committed to minimising the risk of such breaches happening again and has a strong, well established and highly regarded framework to support this.

I would like to thank Carl McPhail who left New Look in March 2011 for his significant contribution to the business over the last ten years, including the period since 2008 as Chief Executive. I would also like to express thanks to John Gildersleeve for all that he contributed in his time with New Look following his retirement from the Board also in March. A number of our Non-Executive Directors stepped down during the course of last year and on behalf of the New Look Board I would like to thank each of them for their respective contributions. Finally, we welcomed Oriol Pinya to the Board as Non-Executive Director in November 2010.

New Look is a great brand operating in attractive markets and I am very excited to be joining the business. Along with founder Tom Singh and the rest of the New Look team, I will be working to ensure we are focused on delivering great product and the performance that our customers have come to expect of us. The management team has worked together throughout a difficult year, enabling New Look to emerge stronger and ready to capitalise as the business recovers. The progress made over the last twelve months would not have been possible without the hard work and commitment of all New Look's dedicated employees. I look forward to working together to put the "heart and soul" back into New Look and to deliver the great performance that the business is capable of.

**ALISTAIR MCGEORGE**  
EXECUTIVE CHAIRMAN

# YEAR IN REVIEW

## NEW LOOK'S FUTURE IS DEPENDENT ON ITS PEOPLE; IT IS THEIR COMMITMENT AND HARD WORK THAT WILL DRIVE THE GROUP FURTHER TOWARDS REACHING ITS GOAL OF BECOMING A TRULY INTERNATIONAL VALUE FASHION RETAILER.

As the Group embarks on a new financial year, no-one will be surprised to hear that FY11 was a very tough year. Despite the hard work, dedication and drive demonstrated by all employees, results for the full year were disappointing, with revenue and EBITDA declining 0.2% and 23.7% year-on-year respectively. However, there were a number of achievements of which New Look should be proud. Not least the Group now trades from 1,051 stores across 15 countries, of which two were new markets this year. Internationally, the transactional website newlook.com today serves over 120 countries and the international store business posted a robust performance, notwithstanding ongoing difficulties in Republic of Ireland (RoI). The Mim brand also demonstrated very good year-on-year improvement after a difficult FY10.

Nevertheless, despite these successes New Look undoubtedly faced several challenges during the year and it's important to spend a bit of time understanding the reasons for this.

### Group performance

Firstly, despite the best possible planning the business experienced significant disruption associated with the move of its central Buying, Merchandising and Design functions from Weymouth to new offices in central London. While this was the right decision for the future of the business to attract best talent and be at the heart of one of the world's fashion capitals, it has taken longer than expected to transition teams and get new joiners up to speed and familiar with the New Look customer and the way in which New Look works.

The Group did not do a good enough job telling customers it offers fantastic value at a time of increasing competition, especially on seasonal basics. To address this, new value offers and multi-buys have been introduced and seasonal hero products highlighted to reinforce value credentials. Targets have been set for product mix by price band to ensure ranges don't move too cheap or too expensive and these actions will be critical to re-establishing customers' value perceptions and the Group's relative value positioning in the marketplace.

Ranges have also lacked breadth of appeal and the Group recognises it targeted too young a customer last year. Targets have subsequently been introduced for product mix by age group to ensure a much broader appeal across the customer base.

Finally, to ensure the Group is optimally positioned to capitalise on fast-changing fashion trends, the supply base has been rebalanced with certain elements of production shifting from long to shorter lead time countries such as Turkey.



## YEAR IN REVIEW CONTINUED

### The marketplace

The challenges in the macro-economy have been well documented over the last twelve months. Consumer confidence was weak. Cutbacks in public sector jobs have hit consumers hard with unemployment forecast to rise this year and next. On top of this, January's VAT increase, and various benefits being frozen or cut back, have all added to customers' gloom.

Adding to this, adverse weather conditions in December significantly affected footfall and customer spending patterns across the high street over Christmas, exacerbating an already difficult trading climate. The Group consequently entered its January sale period with more stock than it would have liked and incurred higher markdown costs as a result. Group margins also came under pressure from significant cost increases across the supply chain e.g. cotton pricing, Chinese labour and freight charges, as well as the rise in VAT to 20%.

The Group remains cautious about consumer spending this year.

### Key achievements

Despite the aforementioned challenges and headwinds, there are many things the Group has to celebrate in the last year, not least the achievements and milestones reached in FY11. The positivity and tenacity demonstrated by all employees throughout this difficult period has been a further credit to the Company.

### UK space

The Group opened a net five new stores in the UK during FY11 through a combination of new store openings, relocations to larger sites where existing stores are restricted in their ability to trade the full product range, and through managed store closures in those markets that are in long-term decline. In existing stores, the Group continued roll-out of its "Look and Feel" upgrade and refurbishment programme, which to date has reached 331 stores. These stores have shown stronger LFL sales compared to comparable stores which have not been refitted, as well as being a key driver of customer satisfaction.

### Product and range

New Look retained its No. 2 position in the UK womenswear clothing and accessories market in FY11 and continues to hold leading positions in core womenswear markets, such as dresses. After the success of the maxi-dress in summer 2010, autumn-winter saw a move towards smarter, more tailored looks where the Group benefited from a shift towards peg-leg trousers and smart cotton chinos, together with chiffon blouses and oversized shirts. The Limited Edition collection continues to attract the more fashion-forward customer and the Idol range recently launched its eighth womenswear collection. Finally, the Group continues to sponsor Giles Deacon's London Fashion Week shows and at Christmas launched Giles Gold's 13th collection for New Look.

The Group strengthened its footwear offering during the year, reaching 6.8% value share of the UK market\* – one in ten pairs of shoes bought in the UK today comes from New Look. The Group sold 17 million pairs of shoes in FY11 and over 3.5 million pairs of boots, where New Look is also market leader with a value share of 7.9%. In fact, New Look sells a pair of shoes every 2 seconds every day!

FY11 also saw the culmination of a very exciting collaboration between New Look and the London College of Fashion. New Look set an open brief to students to design a collection of shoes to sell in-store during summer 2011. The Group ended up with one winner and a collection of six shoes from three of the designers. Part of New Look's sponsorship included the prize for the winner to visit the factory in Cambodia where the shoes are being made.

Menswear today represents 3.8% of our overall brand sales mix (3.3% last year). Menswear is currently available in 211 New Look stores and 245 including franchise partners. New Look's childrenswear and teenwear businesses also demonstrated good progress, the latter driven by the successful 9-15 years Generation brand. While New Look's share in the under 9 years market remains small, the Group continues to lead in the 9-15 category, with 9.8% market share\*.



FY11 saw the culmination of a very exciting collaboration between New Look and the London College of Fashion (see right)

\*Source: Kantar Worldpanel 52 w/e 20 March 2011



## Multi-channel

The Group's on-line business continues to perform strongly. Sales and visitor numbers at newlook.com grew steadily during the year, with weekly visits approaching almost 2 million. The newlook.com website is the No. 3 most visited UK women's clothing website, with a market share of almost 4%\*. New Look today offers 115% of its store range on-line with an additional selection of web exclusives and boutique brands not available in-store.

The Group is rolling out some exciting multi-channel offerings such as new in-store tills to allow customers to access the full product range, including on-line exclusives. The Group has also recently launched a fully-scalable website platform for mobile smart phones (see page 25 for more details).

International revenue as a proportion of the Group's on-line business has more than doubled in the past year to c. 8% (average mix year-to-date) and will continue to be a big part of New Look's on-line strategy. In October 2010, the Group increased its overseas dispatch to 122 countries, reaching new destinations in Asia, Central and South America, Africa and the Middle East.

## International development

International highlights in the year included flagship openings in the Jervis Centre, Dublin and Rue Neuve in Brussels. The Group now trades from 77 New Look stores across France, Belgium, the Netherlands and Rol.

New Look also entered a number of concession agreements with V&D, a major department store retailer in the Netherlands, and successfully converted 10 Mim stores to the New Look brand during the year.

The Group's franchise business continues to perform very strongly and today trades from 67 stores.

New Look entered two new markets, Malta in May 2010 and Ukraine in November 2010, and has selectively rolled out "Look and Feel" refurbishments across the franchise portfolio, in line with Group best practice.

\*Source: Hitwise Most Popular Websites in Shopping and Classifieds – Apparel and Accessories ranked by Visits Share – w/e 26 March 2011

## Investment in the brand

New Look already has high levels of brand awareness in the UK, but to achieve its ambition to be acknowledged as a truly international value fashion retailer, the business needs to create a distinctive "brand voice" that can stand out both at home and abroad.

The Group is rolling out a new, innovative brand programme, focusing on placing customers at the heart of the business. The programme involves new promotional activity using real women in campaigns, TV advertising to build broader awareness, the launch of a bespoke branded TV show with Channel 4 hitting screens this summer using innovative second screen technology to amplify reach, and an over-arching PR and events programme to generate brand fame and buzz. Finally, the Group has recently launched a new digital hub on newlook.com at <http://daily.newlook.com/> to co-ordinate and underpin all digital content and social media activity.

## Outlook

In conclusion, the Group has reached the end of a challenging financial year and our consumers are indicating considerable headwinds remain. Most importantly, the Group has recognised the steps that need to be taken to address last year's product proposition issues and weak value for money perceptions and is firmly focused on re-establishing New Look's core DNA and returning the business to sustainable growth.

New Look's success is dependent on its people and it is their continued commitment and hard work that will drive the Group further towards reaching its goal of becoming a truly international value fashion retailer. The Group looks forward to FY12 being a year of recovery.



# NEW LOOK IN BRIEF

NEW INITIATIVES

NEW EXPERIENCES

NEW WAYS TO SHOP

NEW MARKETS

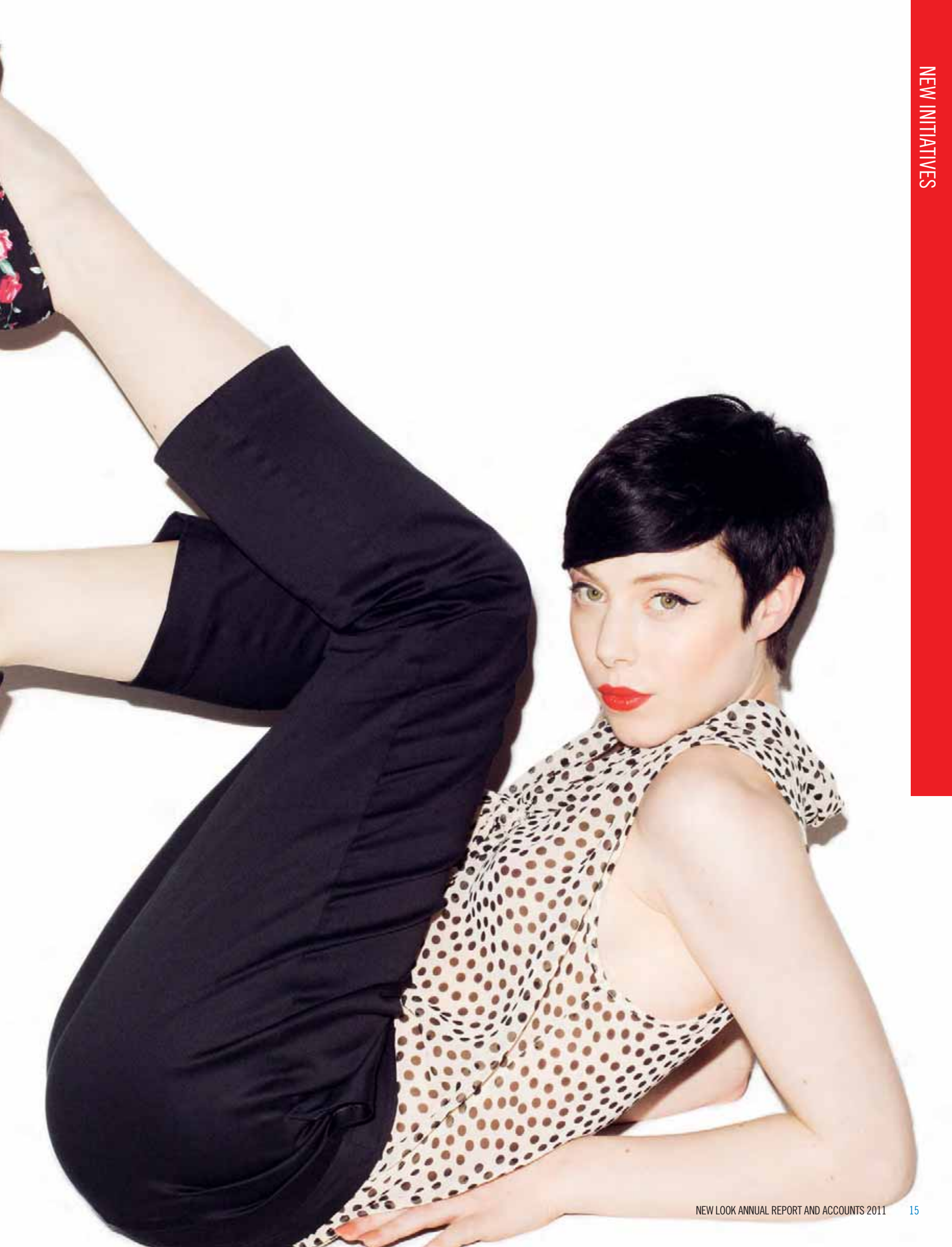
NEW COMMITMENTS

# NEW INITIATIVES

## DIFFERENTIATING OUR BRAND

WE ARE ONE OF THE MOST RECOGNISED FASHION BRANDS IN THE UK. THIS YEAR WE LAUNCHED OUR NEW BRAND EXPRESSION, PUTTING OUR CUSTOMERS AT THE HEART OF OUR BUSINESS AND CREATING A DISTINCT POSITION IN THE MARKETPLACE. WITHOUT OUR CUSTOMERS WE'D JUST BE ANOTHER HIGH STREET RETAILER. BUT WITH THEIR INPUT, WE ARE NEW LOOK!





## NEW INITIATIVES

# DIFFERENTIATING THE BRAND

### OUR VALUES



Our brand values are fundamental to how we behave. They are what unites us and are at the heart of all of our decisions and actions. It is fundamental to the way we do things that all of our employees and everyone associated with New Look observe and support the Company's values and our approach to doing business around the world.

#### **We are impatient.**

We love the fashion business so we always keep things new and fresh, giving customers plenty of reasons to keep coming back.

#### **We are confident.**

We try new things, and we are not afraid to take risks – otherwise our business wouldn't have grown so fast with so many best sellers. We're also confident in our customers; we listen to them all the time and trust what they tell us.

#### **New Look is fun.**

Customers love the excitement and possibility of fashion which is why we are lively, friendly and optimistic, with an unfailingly positive attitude to life.

### BUILDING A DISTINCTIVE BRAND



This year we have launched a big initiative to put our 10 million plus customers firmly at the centre of our business and, in so doing, help build our distinctive brand. We are encouraging our customers to get more out of the excitement and fun of fashion as they really live it, and we are giving them lots of opportunities to get involved with what we're doing. In turn, this is helping us to learn more about our customers and to give them more of what they really want. We have invited our customers (and staff) to model in our advertising, we have created an innovative online space for them to explore fashion ideas, share their views and give direct feedback to us, and we have created an innovative interactive TV show with Channel 4 which has plenty of exciting opportunities for our customers and staff to get involved.

## OUR MARKETING PROGRAMME

Our marketing programme is designed primarily to showcase our new fashion, create a buzz around the New Look brand and position ourselves as a leading fashion retailer. At all times we want to maximise the opportunities for our customers to get involved, influence and shape our business. Our programme is designed around three strands of activity – all underpinned and supported by NL Daily, available at [newlook.com/nldaily](http://newlook.com/nldaily)



### Level 1 Promotional marketing

We highlight continuously our latest product at great value prices through our promotional activity in-store, on-line and in the weekly press. Given the rapid flow of new products into the stores and on-line, the aim is to focus on the most exciting ideas and initiatives in-store and on-line each week.

### Level 2 Brand advertising

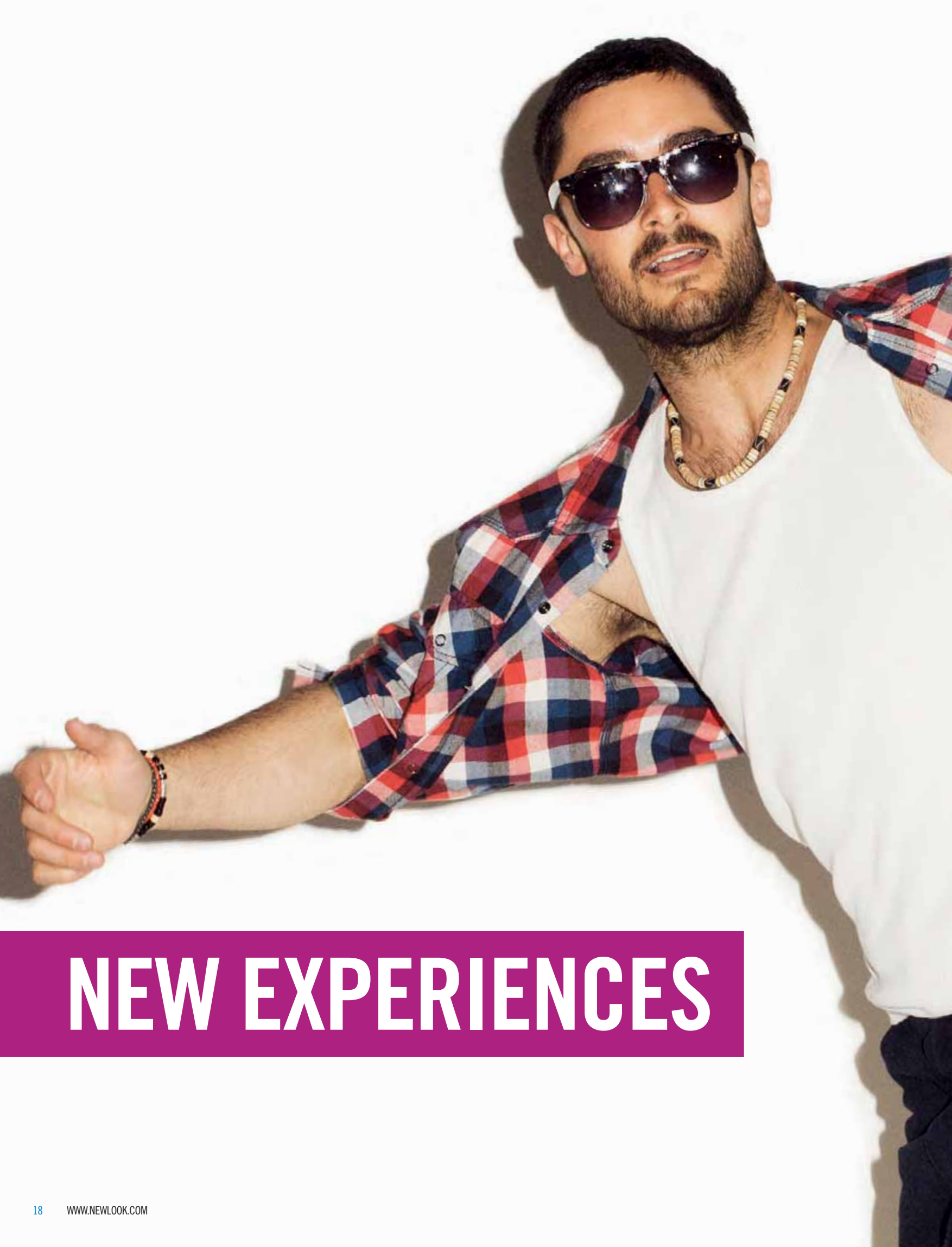
This activity focuses on creating brand awareness and engagement with New Look among a broader audience – including customers who are new to the brand or have not shopped with us for some time – and sets the context for the ongoing promotional activity. This summer we have created the “100 Days of Summer” campaign for TV, outdoor, press and on-line, starring over 60 customers and staff, showcasing the breadth of this season’s range.

### Level 3 New Look TV show

We have created a bespoke TV show with Channel 4. This six-part show celebrates the style and creativity of everyday girls and boys across the UK, is an industry first and includes pioneering, live 2-screen entertainment. This show is one of the first combined advertiser funded and product placement initiatives on UK television. This type of activity is designed to generate additional excitement and engagement for our core customers and to position us as a forward thinking brand.

### Newlook.com/nldaily

We have a very sizeable and active on-line customer community. As a consequence, we have invested in [newlook.com](http://newlook.com) to create a dedicated hub for them to get fashion news, share their styles, vote on their favourite looks, view behind the scenes footage (e.g. from the advertising and TV show) and try different looks with our bespoke outfit builder. This helps us to give our customers more opportunities to engage with the brand, and it helps us listen to what they have to say.



**NEW EXPERIENCES**



## DELIVERING AN IMPROVED CUSTOMER EXPERIENCE

OUR GOAL IS TO MAKE OUR CUSTOMER FEEL GREAT AND TO DELIVER THE BEST CUSTOMER EXPERIENCE TO ALL OUR CUSTOMERS WHEREVER AND HOWEVER THEY SHOP WITH US. WE ARE COMMITTED TO DELIVERING THE NEW LOOK BRAND PILLARS OF FASHION EXCITEMENT, VALUE AND NEWNESS IN A COHESIVE AND CONSISTENT WAY ACROSS ALL OUR TOUCH POINTS, THROUGH ENVIRONMENT, PRODUCT PASSION AND SERVICE.

## NEW EXPERIENCES

# DELIVERING AN IMPROVED CUSTOMER EXPERIENCE

### IN-STORE



BIRMINGHAM BULLRING BEFORE



LOUGHTON BEFORE



UXBRIDGE BEFORE



BIRMINGHAM BULLRING AFTER



LOUGHTON AFTER



UXBRIDGE AFTER

#### Look and Feel

We are focused on giving our customers the best in-store experience when they shop with us. During the year we continued our ongoing “Look and Feel” refit programme, completing 163 stores and bringing the total to 331. These stores have shown stronger LFL sales compared to comparable stores which have not been refitted, as well as being a key driver of customer satisfaction.

The introduction of new fixtures and fittings as part of the programme has helped define clear zones within the store, making it easier for customers to navigate and see our brand pillars come alive. To showcase fashion excitement we use feature rails, tables and mannequins to show our customer how to wear the latest looks and trends. We demonstrate great value and choice through strong destination blocks of essential basics and key lead-in value lines, using wave bars and circular fixtures to maintain pace and excitement.

This programme is not just about the store environment itself; it is also about the New Look team who have customer contact at every touch point. Every refitted “Look and Feel” store undergoes a team training event to ensure the newly refurbished store is fit for the future to welcome both our existing and new customers.

#### Service

In the last year we raised the benchmark for putting the customer first and there are many great examples of how we continue to delight and exceed our customers’ expectations, from delivering great fashion advice through our fitting room consultants, showing the customer ways to wear the latest trends, the in-depth product expertise of our sales floor teams knowing the latest looks and sharing their knowledge, to the speedy back-of-house teams that process our deliveries in record time to get new product to the sales floor. We see many examples of world class

behaviours and our challenge is to achieve this consistently day in, day out.

We measure in-store service via our mystery shopping programme, Snapshot. This has seen progressive month on month improvement and we are benchmarking alongside or above our key competitors.

But, we never stand still, and further evaluation is underway to ensure we stay ahead and meet our customers’ expectations on each and every visit.

## DIGITAL



There is an established and growing expectation among our customers that they should be able to communicate with the brands they support through social media channels. There is equal recognition from the business that social media provides a real-time mass communications channel, both for push messaging and for gathering insights from two-way conversations with our customers.

### Social media

Our engagement level in social media is already strong. The New Look brand page on Facebook has grown at double the rate of competitors over the last year, driven by compelling content and conversation seeding. As of week 1 we had 126,000 fans; by year end this had grown to almost 1 million fans.

### Follow us

 [DAILY.NEWLOOK.COM](http://DAILY.NEWLOOK.COM)



[M.NEWLOOK.COM](http://M.NEWLOOK.COM)



[FUTUREFABFASHION.  
NEWLOOK.COM](http://FUTUREFABFASHION.NEWLOOK.COM)



[WWW.FACEBOOK.COM/  
NEWLOOKFASHION](http://WWW.FACEBOOK.COM/NEWLOOKFASHION)



[WWW.TWITTER.COM/  
NEWLOOKFASHION](http://WWW.TWITTER.COM/NEWLOOKFASHION)



[WWW.YOUTUBE.COM/  
NEWLOOKTV](http://WWW.YOUTUBE.COM/NEWLOOKTV)

### NL Daily

To drive further brand awareness and increase brand preference and consolidate our success to date within the social media sphere, New Look has created a digital hub called NL Daily, combining rich content, community and commerce within a branded site accessible under [www.newlook.com](http://www.newlook.com). The New Look digital hub aims to create a customer experience that is among the best in class when measured against competitor offerings. By putting our customers at the heart of the business, we give them the opportunity to participate with, influence and shape New Look. Inspirational fashion content can be shared, insights and feedback gathered and circulated quickly to support and sustain customer focus within the business. The hub will enable

New Look to maintain a competitive edge in a fast moving communication channel.

Digital also provides us with a low-cost brand building channel for establishing New Look in new markets. This hub delivers the foundations for New Look to set up satellite social media activity in new markets and supplement content of existing non-UK digital branding activity.



# NEW WAYS TO SHOP

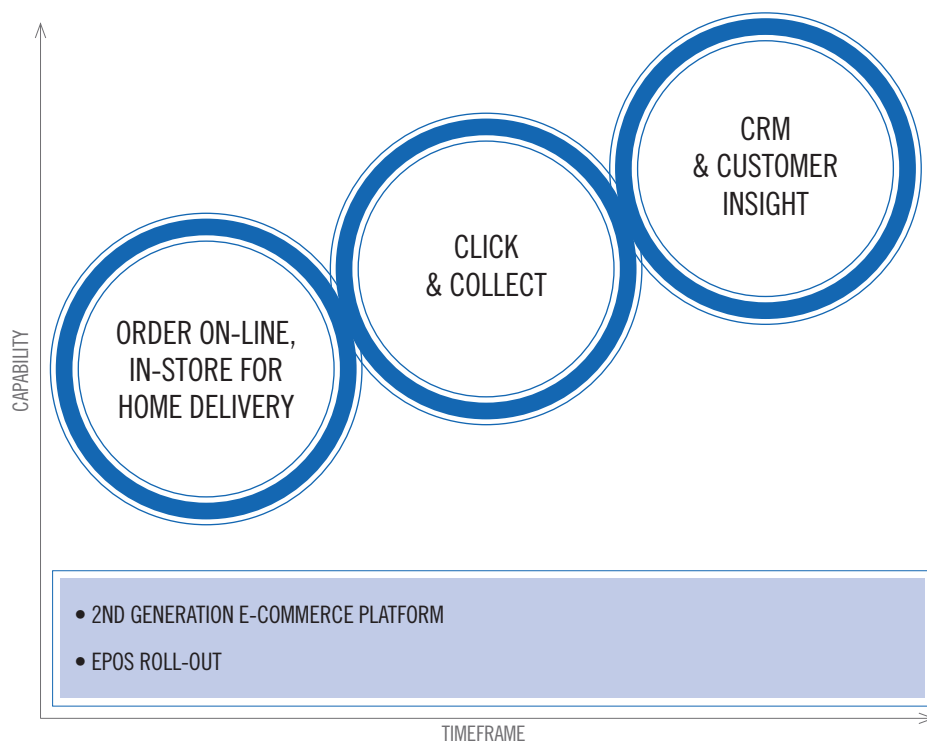
## OUR MULTI-CHANNEL PROPOSITION

DIGITAL CHANNELS ARE EXPANDING OUR WORLD. OUR MULTI-CHANNEL MODEL MEANS OUR CUSTOMERS CAN SHOP ANYTIME, ANYWHERE. FROM OUR WORLD-CLASS WEBSITE WHICH PUTS OUR CUSTOMERS AT THE HEART OF THE FASHION INDUSTRY, TO OUR MOBILE COMMERCE SITE WHICH ALLOWS ANYONE WITH A SMARTPHONE ACCESS TO A FULLY CUSTOMISED VERSION OF NEWLOOK.COM, WE ARE FOCUSED ON PUTTING MULTI-CHANNEL DELIVERY AT THE HEART OF OUR BRAND.

# NEW WAYS TO SHOP

# OUR MULTI-CHANNEL PROPOSITION

## BUILDING CAPABILITY OVER TIME



A key driver of New Look's growth strategy is the delivery of a world-class multi-channel proposition, providing a consistent, seamless brand experience for all our customers.

Our goal is to make our customer feel great and to deliver the best experience to all our customers wherever and however they shop with us. We are committed to delivering the New Look brand pillars of fashion excitement, value and newness in a cohesive and consistent way across all our customer touch points, through environment, product passion and service.

We recently launched a fully transactional mobile commerce site, which allows anyone with a Smartphone – e.g. iPhone, BlackBerry and Android – to be automatically presented with a fully optimised version of newlook.com for their individual device. We are currently working on a mobile application which will launch later this year.

We have also introduced several new delivery options, including next-day delivery for our UK customers, and more recently both nominated time and day options to make organising their delivery even easier.

The next twelve months sees the launch of several initiatives aimed at providing the best-in-class experience our customers deserve. We will be rolling out the capability to order in-store for home delivery and introduce our Click and Collect service offering order at home for delivery to any of our 600+ stores across the UK. We will be launching an international local language site in French as well as dedicated US dollar and Euro sites. We are also introducing third-party brands to the site later in the year and will be re-introducing a concession offering, to further increase the choice we offer our customers.

## CREATING A WORLD CLASS M-COMMERCE PLATFORM



### The opportunity

- Mobile browsing will exceed desktop browsing by 2013;  
*Source: Gartner*
- Over 2 x more women visited retail sites using mobile browser vs. Apps (Aug – Oct 2010);  
*Source: COMSTAT*
- 70% increase in UK Smartphone customers from Jan 2009 to Jan 2010;  
*Source: Ofcom*
- Monthly mobile visits to newlook.com doubled: Apr vs. Dec 2010 (0.73m to 1.8m);  
*Source: OMNITURE*

### New Look's solution

- Solution for all devices
- Future proofed for growth of new handsets
- Target payback in 15 months
- Visits from mobile traffic up 858% year-on-year since launch on 31 March 2011
- 3.2% of all e-commerce traffic today being driven via mobile vs. 0.4% during same period last year

All figures (000)		Aug 2010	Sep 2010	Oct 2010
<b>Browser (retail)</b>	Total	2,017	2,175	2,305
	Male	1,228	1,305	1,390
	Female	789	870	915
<b>Apps (retail)</b>	Total	812	837	903
	Male	493	485	514
	Female	319	352	389

*Source: COMSTAT*



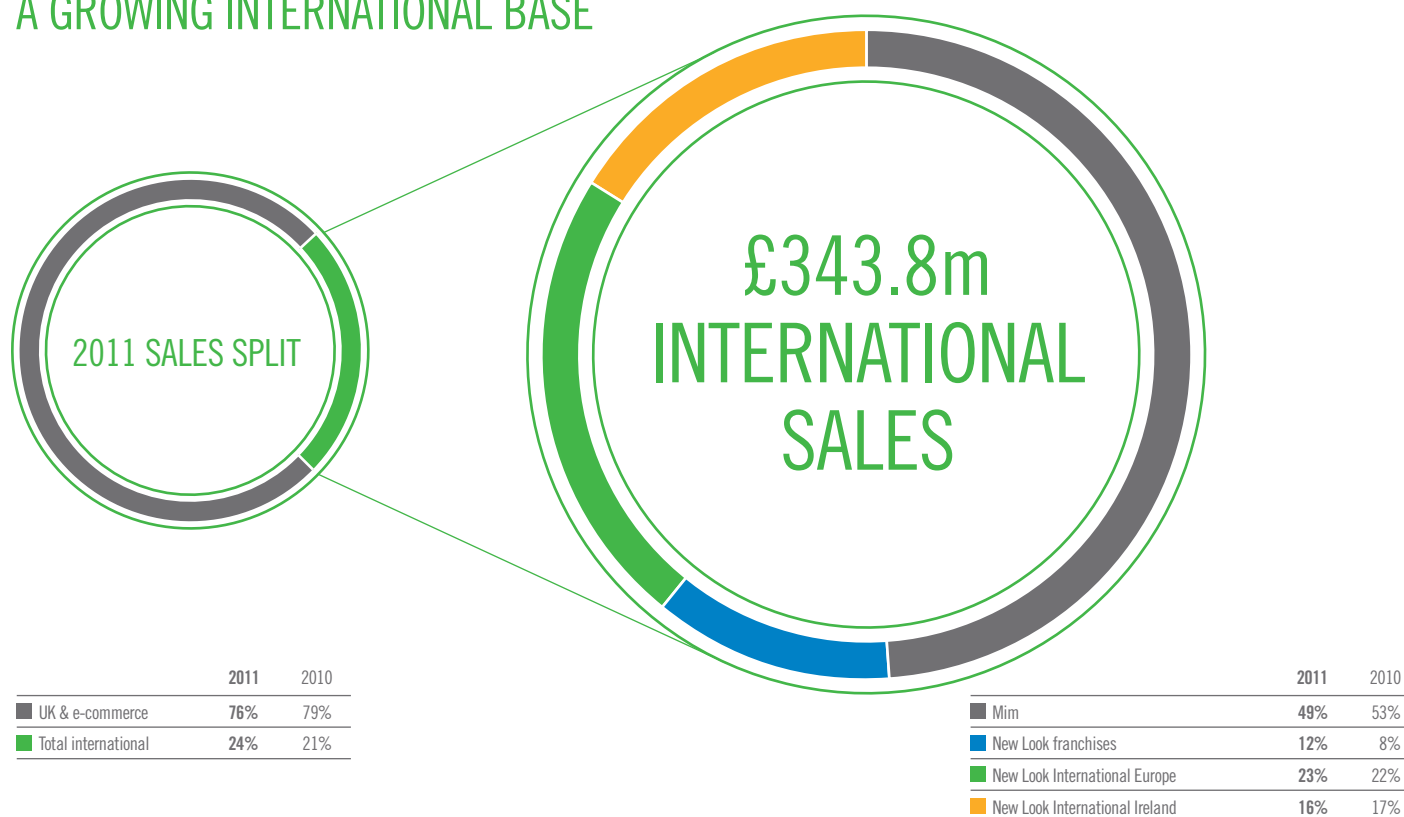
## BECOMING A TRULY INTERNATIONAL RETAILER

THROUGH OUR WEBSITE AND OUR STORES, NEW LOOK TODAY SERVES AN INCREASINGLY GLOBAL AUDIENCE. WE HAVE BUILT A SOLID PLATFORM FOR FUTURE GROWTH THROUGH OUR OWN STORE MARKETS AND THROUGH OUR SUCCESSFUL FRANCHISE MODEL. OUR FOCUS IS TO ENSURE ALL OF OUR INTERNATIONAL BUSINESSES FOLLOW A CLEAR AND CREDIBLE PATH TO SUSTAINABLE PROFITABILITY.

# NEW MARKETS

# BECOMING A TRULY INTERNATIONAL RETAILER

## A GROWING INTERNATIONAL BASE



New Look has gained significant experience in operating in markets outside the UK in the last few years through bricks and clicks, and has established a clear and rigorous route to market selection. Our goal is to become a truly international retailer, establishing a significant footprint in all of our existing and new own-store markets and building a successful franchise model that is truly integrated within the Group business.

The proportion of New Look's revenue generated from international operations has increased steadily from £87.3 million (12.5%) in FY04 to £343.8 million (24%) in FY11. Last year we opened 129,000 sq ft. across our international portfolio taking total space outside the UK to 1,802,000 sq ft. Including our e-commerce channel, we now serve 122 countries globally.

### New Look International

Looking to the year ahead, we will continue to focus upon growing our existing own-store businesses in France, Belgium, Netherlands and Rol either organically or via acquisition, alongside the development of potential new markets. Our goal remains to ensure all our international businesses follow a clear and credible path of sustainable profitability.

### Mim

The Mim stores offer a product range and brand proposition that is distinct from that of the New Look brand. Whilst also operating in the value fashion segment, Mim's offer is targeted at a younger (<30 years old) and more value-conscious female customer.

As at 26 March 2011 there were 300 Mim stores trading across France and Belgium, with 656,000 sq ft of total trading space. Mim also has an e-commerce website at [www.mim.fr](http://www.mim.fr) that launched in September 2009.

Following a difficult year in FY10 due to the decline in the French apparel market, management changes and unpopular product ranges, Mim staged a strong recovery last year, posting 2% and 96% increases in sales and underlying operating profit respectively. This was achieved through the reinstatement of the previous management team, a rebalancing of the product offering to appeal to traditional Mim target customers, the sharing of operational best practice with New Look (e.g. improved store layout and inventory management) and by exiting a small number of loss-making stores. During the year we



NEW LOOK INTERNATIONAL – DUBLIN

also converted a small selection of Mim stores to the New Look brand, typically where stores are situated in locations more suited to the New Look customer than the Mim customer.

The priority for the year ahead is one of continued recovery in the business, with a focus on optimising profitability of the core existing estate. Over the medium term, New Look sees considerable opportunity for growth through further performance improvement, development of the portfolio both in France (refurbishments and new stores) and internationally, and development of the e-commerce offer.



NEW LOOK FRANCHISE – POLAND



NEW LOOK FRANCHISE – DUBAI

### New Look Franchise

New Look has developed a successful franchise business model, that today trades from 67 stores in 10 markets. This year, New Look launched our Franchise operations manual setting a global brand standard and clear benchmarks and objectives to all our partners in all our markets. The manual aims to provide a single point of reference for all our partners, providing everything they require to successfully operate New Look stores.

Looking ahead, we will continue to open new stores in line with existing franchise partners' business plans, and continue to work on identifying new territories



NEW LOOK INTERNATIONAL – BRUSSELS

which share characteristics similar to the UK market and will be receptive to the New Look brand. We operate a rigorous franchise partner selection process, working only with those partners with proven track records who are able to provide access to talent, real estate and local market knowledge.

## GROWING OUR BUSINESS SUSTAINABLY

OBSERVING AND SUPPORTING OUR VALUES AND ETHICAL STANDARDS IS FUNDAMENTAL TO THE WAY WE DO BUSINESS WORLDWIDE. IN TODAY'S BUSINESS ENVIRONMENT IT IS NO LONGER ENOUGH SIMPLY TO SHARE COMMON GOALS AND ASPIRATIONS. OUR FOCUS IS TO PUT THESE VALUES INTO PRACTICE AND TO EXPRESS CLEARLY HOW WE LIVE UP TO OUR RESPONSIBILITIES.



# NEW COMMITMENTS



## NEW COMMITMENTS

# GROWING OUR BUSINESS SUSTAINABLY

### ETHICAL SUPPLY CHAIN MANAGEMENT



#### Ethical factory in Bangladesh

We have been working since 2007 with our key Bangladesh supplier on developing a model ethical factory. We began by working with the factory on productivity and human resources improvements, controlling working hours and increasing pay and bonuses. In 2009 our supplier integrated these new ways of working and professionalised its factories' management systems, rolling the project out to three factories, employing 8,357 workers. During 2010 the three factories have maintained their ethical ways of working, demonstrating that this model is sustainable. Key achievements include fully functioning workers' committees discussing and resolving issues including pay, working hours and welfare, provision of free, protein-rich lunches, introduction of a Provident Fund and increased take-home pay. During 2010 (up until November to avoid distortion of values due to minimum wage increase) Grade 3 workers earned 16% more on average than during 2009 and Grade 7, 15% more.

#### Supporting good businesses and great jobs

Building on our ethical factory work, we are collaborating with five other leading retailers on a project supported by the Department of International Development to improve the ability of suppliers in India and Bangladesh to provide high quality jobs for workers. The project will use the learnings from the ethical factory project to improve productivity, quality and human resources management and deliver better wages and conditions for the workforce. The project will reach 110 factories over the next two years. Our new sourcing strategy will enhance this project to ensure the rollout will be sustainable, by increasing both productivity and HR retention, so all parties will reap the benefits.

Workers commented:

"I would like to mention the production bonus that we receive without doing overtime. Last month I received a production bonus of 1,720 taka (£15). We work 66 hours which is less than we used to work but the production bonus helps us a lot as we get twice as much with the production bonus."

"We are able to talk to management directly. We have a Worker Participatory Committee in the factory. We arrange meetings with the other workers in the factory. Our role in this factory is to share workers' problems with the management. Management then responds with their solution. This system is not present in other factories. Even in other factories that have this system, compared to them our WPC does a lot more work. After management has made a decision they put their response on the notice board."

"For the last 10 years I worked as an operator. In this factory it is different because I feel that I am a valued service provider, not just a mere worker. I feel that I am doing a valued and skilled job. I am independent. This is only possible because I am working here and feel proud."

# CORPORATE RESPONSIBILITY

## LEAVING A LEGACY

CORPORATE SOCIAL RESPONSIBILITY HAS LONG BEEN AN INTEGRAL PART OF THE WAY WE CONDUCT BUSINESS, ENSURING WE BUILD STRONG, LASTING AND SUSTAINABLE PARTNERSHIPS WITH OUR PEOPLE AND THE PLANET.

### Ethical Sourcing

As members of the Ethical Trading Initiative, we are committed to supporting our suppliers to provide good quality jobs for workers making our goods.

We work to try and ensure that we trade in a fair, ethical and responsible way. We ask our suppliers to sign up to our Ethical Code of Conduct and we work closely with Non-Governmental Organisations (NGOs), trade unions and ethical experts to ensure workers are fairly treated.

We are a leading member of the Ethical Trading Initiative (ETI), a ground-breaking alliance of companies, trade unions and voluntary organisations, working in partnership to improve the lives of people across the globe. In 2010, ETI praised New Look's "real achievement in many key areas of ethical trade" and described us as being "at the forefront of good practice in its retail sector".

This year we have sharpened our focus on ethical trading, growing our team by 60%. We have increased the number of factories with which we are working on making improvements by 17%, from 484 to 565, positively impacting 352,066 workers around the world.

We monitor factories through a mixture of independent third-party audits, second-party audits

carried out by our suppliers, and by our own teams (see table below).

We recognise that different types of audits have different strengths. We have up-skilled our key suppliers' ethical teams to improve their worker interviewing techniques and ability to map homeworking supply chains and shadowed their audits to monitor quality. This year they have assessed 145 production sites on our behalf. Our own staff have conducted 131 audits, bringing us closer to the problems in our supply base. We continue to work with Impactt to assess 15 sites in depth, using a combination of off-site interviews, direct contact with workers through a helpline and other forensic approaches to develop a clear understanding of problems and their root causes.

Our audits pick up a range of issues. The chart below shows that just over half the issues found are to do with health and safety. Other key areas are pay and working hours.

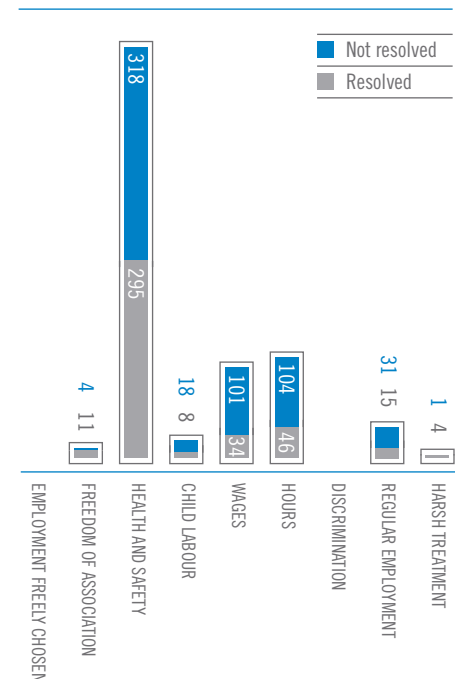
We focus on resolving issues by supporting our suppliers with a range of workbooks, training and project work. Making progress can take some time – last year we were able to action 42% of issues found, and we are working hard to close off more issues in the coming year.

A major challenge this year has been managing poor labour standards in our supply chains in Leicester. These were identified in an unauthorised unit to which our production had been subcontracted without our knowledge. We commissioned a third party to carry out a full investigation and, as a result have sent clear messages to our suppliers that we will not tolerate unauthorised subcontracting. Ernst & Young has advised further improvements of our controls to reduce the risk of a recurrence of such breaches. These actions include a strengthening of the resource dedicated to ensuring ethical compliance, the tightening of supplier contracts, including the terms and conditions concerning the use of sub-contractors, and reinforcing communication of New Look's ethical standards requirements, both internally and across the supply chain.

### Number of ethical audits carried out during FY11

Type of audit	Number of audits
Independent 3rd party	284
In-depth diagnostic 3rd party	11
2nd party (conducted by our ethical trading team)	131
2nd party (conducted by our agents/direct suppliers)	145
<b>Total</b>	<b>571</b>

### PERCENTAGE OF ISSUES FOUND BY ETI BASE CODE AREA %



## CORPORATE RESPONSIBILITY CONTINUED

### Project work

#### Supporting a better deal for homeworkers

We are working in partnership with SEWA (Self-Employed Women's Association) Delhi, an organisation empowering homeworkers. SEWA negotiates piece rates and timelines with factories and supports homeworkers through quality control and skills training. During 2010 we have worked with our main Indian supplier to place a constant volume of orders with SEWA and to develop the organisation's merchandising capability. This is hugely important for the women since stable orders provide a stable income. SEWA commented, "In the past few months, most of the work orders to SEWA Centres are coming through New Look suppliers. New Look's support is much appreciated." We are now working to develop the first SEWA-labelled garments on the UK high street, which should be launched in Spring 2011.

#### Fostering workers' committees in China

We are working with five factories in China to develop fully operational workers' committees to enable workers to communicate better with management. Committees have addressed issues important to workers, including air conditioning, water supply, food prices, health and safety issues, wages, working hours, better management of production and childcare during the school holidays.

#### Protecting vulnerable workers in India

We have been working since 2008 with one of our key factories in Delhi to improve the conditions of contract workers. We are delighted to report that workers now have fully functioning access to key social security benefits (Provident Fund and Employees' State Insurance). The wages of skilled workers have increased beyond the social security threshold and we are now working to initiate workshops to train workers about how they can safely save and manage their money through the banking system.

#### Access to financial services for workers in India

We are helping our key Indian supplier to partner with Geosansar, an organisation providing banking services to the poor, to support workers to open bank accounts, rather than being paid in cash. This ensures that they receive all the money they are owed, enables them to save and send money home safely. Geosansar opens kiosks at factory locations so that workers can access banking services easily and immediately. During the year, 233 workers opened bank accounts and we hope that many more will open accounts next year.

#### Building better relationships between management and workers in Cambodia

At one of our biggest footwear suppliers in Cambodia, we have been working with the ILO Better Factories Programme to implement grievance and disciplinary

procedures and to build capacity for two-way communication between workers and management. This year we have focused on delivering training at the supervisor level. The ILO has trained 82 supervisors on avoiding an authoritarian style of leadership and to treating workers fairly. We have seen relationships between workers and management becoming stronger. Supervisors say that the training has really made them think about the way they communicate, not only at work but at home too.

### Animal Welfare

We believe that it is never acceptable to harm animals in the manufacture or testing of our products and for this reason we developed an animal welfare policy to cover all products retailed by us.

The policy covers any animal-derived materials used in our products, banning animal testing for cosmetics, a ban on real fur and on materials from endangered species, leather/skin products, feathers and wool. This year we were delighted to have been selected as a winner at the RSPCA Good Business Awards in the Large Fashion Company category. The RSPCA said:

"Leading international retailer New Look took the large company award for the launch of its formal animal welfare policy, made as a public pledge on its corporate website, and its decision to buck the high street trend of using Mongolian lamb skins after investigating how the animals are slaughtered."

### Environment

We recognise the importance of building a sustainable future for our customers. We have focused on maximising the efficiency of our own operations, particularly on energy and waste. Next year, we plan to broaden our focus to the lifecycle of our products and to develop a holistic sustainability strategy.

#### Energy & Climate Change

We are aware of the risks posed to society and our long-term business sustainability through human-induced climate change. Everyone at New Look has a responsibility to take part in reducing our carbon footprint. This year we took some significant steps to improve the energy efficiency of our UK and Rol stores:

- Installing BMS (Building Management Systems) in over 200 stores, saving over 4.4 million kWhs (over 2,300 tonnes of CO<sub>2</sub> emissions) on a LFL basis, mainly from more efficient use of store lighting systems. Initiating a store energy efficiency league table to encourage participation.

During FY12 we will measure and report on our carbon footprint through the Carbon Reduction Commitment Energy Efficiency Scheme, securing further carbon savings from our investments in both automatic meter reading (AMR) systems and Building Management Systems (BMS), and in involving our store staff in improving energy and environmental performance.

### Waste & Recycling

Reducing waste and increasing operational recycling rates represents the clearest and most tangible way for us to reduce our immediate environmental impacts. We have been working hard to reduce the amount of waste sent to landfill from our offices and stores in the UK. Since 2008 we have increased store recycling rates to reduce the amount of waste sent to landfill. In 2010-2011 we recycled 64% of all waste from our UK stores, up from 20% in 2008-2009. We believe that a further increase is possible and are currently trialling ways of achieving this. In addition to improving store recycling rates, we continued to push our waste backhauling programme, via our UK distribution centre's on-site recycling centre. This year we recycled a total of 3,676 tonnes of cardboard and plastic, generating a revenue stream of £277,925 for the business.

### Community Giving

We created the New Look Foundation in 2009 during our 40th year of trading with the mission: "to educate, inspire and empower people to feel good about themselves; to live life to the full and make smart choices for themselves and those close to them."

Our Foundation works with an independent charity partner, the Charities Aid Foundation (CAF) and operates under CAF's registered charity number 268369. CAF manages all of the administration.

Our Foundation is funded mostly through the proceeds from the sale of specially designed charity products sold in-store, as well as payroll giving and our own sample sales, along with fundraising and donations in store and around our offices.

Money raised for the Foundation is divided with 40% shared amongst our charity partners, 40% donated to good causes local to our stores and offices, 10% held for disaster relief appeals (like the Pakistan Flood Appeal) and 10% held in reserve so that we can build up sufficient sums for bigger projects going forward.

From April 2010 to March 2011 we raised the following;

- £53,837 for our Foundation from which we donated £8,233 to the Pakistan Flood Appeal, £3,194 to the Japan Tsunami Appeal and shared £14,565 between seven charities local to our stores and offices through Local Community Giving.
- £193,999 for our three charity partners through staff fundraising activity, direct donations and charity product sold in store.
- £142,644 to other charitable causes including £40,000 to the Retail Trust in exchange for their Employee Assistance Programme and £49,727 donated to Children's Hope UK through our Fashion Peddlars.

We have also given £2.6m worth of clothing to various causes including the Birth Defect Foundation.

Over 5% of our people are currently subscribed to Payroll Giving and donate £82,337 per annum to 178 charities.

How we choose our charity partners is always a difficult task so to help us we've set up a working party of people from all of our different business functions. We review charities that fit with our Foundation's ethos of education and helping people to feel good about themselves. We want our charity partners to reflect our brand by having a more edgy feel compared to many other partnerships already on the high street. We usually offer a two year partnership, after which we select new partners.

Since April 2010 we have supported three Foundation partners in the UK: **beat** (beating eating disorders), **Macmillan** (cancer support) and **Whizz-Kidz** (overcoming disabilities). They really impressed us with their energy, motivation and how they transform people's lives. As our Foundation grows, we'll look to select charity partners in each of the other markets in which we operate, namely Europe, the Middle East and Pan Asia. Over a three year period we will select charity partners in all of the other markets in which we operate, as well as a global charity partner.

From April 2010 to March 2011 we donated £44,277 to **beat**. Primarily the income will be distributed throughout the organisation to cover staff and literature costs, to ensure that **beat** can continue to offer the support that is currently available to those affected by eating disorders. More specifically, the money will go towards maintaining the Helpline department that they offer, covering phone line costs, staff costs and website fees. This will ensure that they continue to act as a point of call for those in need of support and advice, when in a difficult situation.

From April 2010 to March 2011 we donated £85,361 to **Macmillan**, in addition to the £7,798 our people have directly donated through Payroll Giving. This income will pay for a new small Macmillan information and support centre. This amount of money could also pay for two fully-kitted Macmillan Information Pods which are enclosed spaces where confidential information and support can be given to people affected by cancer.

From April 2010 to March 2011 we donated £64,361 to **Whizz Kidz**, including £21,656 from our Accessories Team fundraising and teambuilding day. This income has provided the right wheelchair for seven disabled children so they can be active and gain their independence.

Our Employee Volunteering Programme launched in April 2010. This programme encourages staff to help their communities by giving them two days paid leave from work to undertake a volunteering activity of their choice. During the first year of the programme our staff have volunteered just under 1000 hours, (that's the equivalent to £19,122) to 121 charitable activities. Like the Foundation, this will be rolled out over a period of time to include all staff, both in the UK and internationally.

### Our Colleagues

Our commitment to our people is in supporting them to deliver their part in our growth and enable them to build their skills and career with us.

### Colleague engagement

The Group systematically provides colleagues with information on matters of concern to them, consulting them so that their views can be taken into account when making decisions that are likely to affect their interests. Staff involvement in the Group is encouraged to achieve a common awareness of the financial and economic factors that affect the Group's performance.

### Attracting talent

New Look is an attractive employer with competitive remuneration packages.

We recruit natural 'New Lookers' – people who are customer champions, have a passion for fashion, who are curious, go-getting and self-starting. We support their development as they progress their career with us through a mixture of theory-based and practical learning.

### Equal opportunities

We ensure that no job applicant or colleague is discriminated against, either directly or indirectly, on the grounds of disability, gender, nationality, ethnic or racial origins, marital status, religious belief, political opinion, age or sexual orientation. It is the policy of the Group to give equal opportunity of employment to disabled and able persons according to their suitability to perform the work required. The services of existing colleagues who become disabled are retained whenever practicable.

### Highlights to date are:

#### Leadership Development Programme

Our top 60 leaders have embarked upon an extensive development programme designed to enhance leadership and strategy development skills.

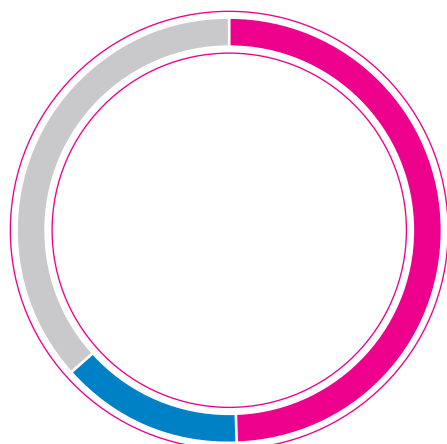
#### Management Development Programme

Over 60 of our managers identified as having high potential have embarked upon a development programme designed to enhance and build their capability to hold future roles.

#### Springboard Programme

Over 70 of our people have taken this first step into management roles enabled by our springboard stepping into management programme.

## 2010-2011 COMMUNITY GIVING BREAKDOWN



■ Distributed between our three charity partners	£193,999
■ Local community giving & disaster relief	£53,837
■ Other charitable causes	£142,644

- £53,837 for our Foundation from which we donated £8,233 to the Pakistan Flood Appeal, £3,194 to the Japan Tsunami Appeal and shared £14,565 between seven charities local to our stores and offices through Local Community Giving.
- £193,999 for our three charity partners through staff fundraising activity, direct donations and charity product sold in store.
- £142,644 to other charitable causes including £40,000 to the Retail Trust in exchange for their Employee Assistance Programme and £49,727 donated to Children's Hope UK through our Fashion Peddlars.

## OUR PARTNERSHIPS



## RISK AND UNCERTAINTIES

# MANAGING OUR RISKS

NEW LOOK CONSIDERS GOOD RISK MANAGEMENT FUNDAMENTAL TO ACHIEVING ITS BUSINESS OBJECTIVES, PROTECTING ITS REPUTATION AND DELIVERING ADDED VALUE.

Risk type	Description of risk	Risk mitigation
Adverse economic climate	<p>Consistent fall in our customer spending as a result of the economic downturn.</p> <p>Uncertainty over international economic climate.</p>	<ul style="list-style-type: none"> <li>The latest independent market information is reflected in our internal plans and forecasts.</li> <li>Adapting to the changes in core customers' disposable income, through the delivery of great product, focused marketing and a clear and flexible pricing strategy (including monitoring of the competition).</li> <li>Detailed contingency plans are in place should the economic climate deteriorate further.</li> </ul>
Sustained cost price increases	Places pressure on our pricing strategy, margins and overall profitability	<ul style="list-style-type: none"> <li>Further development of sourcing strategy to help drive cost efficiencies throughout the supply chain.</li> <li>Review of key cost lines and supplier contracts to drive savings where possible. Tight cost control.</li> <li>Assessment of other options to lock in guaranteed pricing.</li> </ul>
Business strategy development	Increasing complexity as the Group expands makes implementation more difficult.	<ul style="list-style-type: none"> <li>The new management team is in the process of updating the business strategy to re-establish our position in the market place and to deliver even more of what our customers want.</li> <li>Weekly and monthly measures are now in place to measure performance against the key attributes of the business strategy and an increased focus has been placed on communicating process to all staff throughout the organisation.</li> </ul>
Management team	<p>As the Group expands, its success is dependent on the continued service of its senior management.</p> <p>Departure of key personnel and failure to attract or retain talent</p>	<ul style="list-style-type: none"> <li>Executive Chairman recently appointed and will commence the recruitment of a CEO at a future date.</li> <li>The Remuneration Committee ensures that appropriate incentive plans are in place.</li> <li>There are regular, effective performance review, benchmarking and talent management processes in place to ensure succession planning.</li> </ul>
IT systems and business continuity	Inability of systems to process core transactional data and to provide key decision making reporting given speed of expansion	<ul style="list-style-type: none"> <li>Investment in ongoing and new IT systems is part of the business strategy.</li> <li>Back up procedures in place to deal with any short-term or specific loss of data.</li> <li>Business continuity plan in place to deal with any serious incident or loss of systems capability.</li> </ul>

## Risk management

To support operational management, the Board has created a practical framework, which is set out in its Risk Management Policy, to provide a consistent method for managing risk across the Group and so ensure that significant risks are understood and visible to senior management, as well as to the Board.

## Responsibility

The Board has ultimate responsibility for the Group's risk management process and reviews its effectiveness at least annually. However, on a day-to-day basis, senior management is responsible for providing visible leadership as to the management of risk and ensuring that it is integrated into everything that we do and all important decisions that we take. It is not the Board's intention to

create additional functions or separate committees to administer the risk management process. The assessment and management of risk is already part of our planning and review procedures and senior management is required to ensure that this review of risk is carried out in an effective and timely manner. The following tables identify the most significant risks identified by the Board.

Risk type	Description of risk	Risk mitigation
Product proposition, design and value credentials	Fast fashion and being on trend is essential to the success of the Group.  It is important to quickly respond to changing customer preferences and trends.	<ul style="list-style-type: none"> <li>Trend analysis is constantly being carried out, supplemented by catwalk reviews and trend presentations to senior management.</li> <li>Range reviews are carried out ahead of each season by senior management and are then regularly updated.</li> <li>Weekly order signings ensures that all product is constantly being monitored.</li> <li>Further development of sourcing strategy will deliver shorter lead times on the most wanted product.</li> </ul>
International & e-commerce expansion	Tough international economic climate.  Failure to grow the international business successfully through franchise operations, wholly owned businesses and e-commerce.	<ul style="list-style-type: none"> <li>Strong relationships developed with the key stakeholders.</li> <li>Clear focus on best option for country and cultural fit with the New Look brand.</li> <li>Product ranges selected and developed which are relevant to the different markets.</li> </ul>
Key supplier dependencies	Tough economic climate for some key suppliers could put product supply at risk.	<ul style="list-style-type: none"> <li>Key supplier agreements in place.</li> <li>Regular monthly reviews in place to measure performance against core KPIs, including compliance with our business code on ethical trading.</li> <li>Ongoing reviews to determine contingency plans in the event of a supplier failure.</li> </ul>
Warehousing and distribution	Inability to maintain the infrastructure to support a rapidly growing fast fashion business plus the ability to recover from a major incident.	<ul style="list-style-type: none"> <li>Enhancement of the purpose built site at Lymedale to cope with the growth of the business.</li> <li>Business continuity plans developed for all locations in the Group.</li> <li>Establishment of consolidation centres throughout the world to improve the speed to international markets.</li> </ul>
Exchange rates	Exposure to currency fluctuations for US dollars.	<ul style="list-style-type: none"> <li>Treasury policy is in place which aims to hedge economic cash flows over the medium term.</li> <li>Market data and trends are reviewed at the monthly Treasury Committee meetings.</li> <li>The sourcing of product across many territories looks to diversify FX exposure.</li> </ul>
Indebtedness and interest rates	The Group's level of indebtedness and exposure to interest rate volatility could constrain the business and its ability to grow.	<ul style="list-style-type: none"> <li>Regular review of the Group's current debt position and potential interest rate exposure.</li> <li>Weekly cash flow forecasting and quarterly covenant reporting. Detailed covenant modelling is in place to support the planning cycle.</li> <li>Treasury policy is in place which aims to hedge interest rates over the medium term.</li> </ul>

# A DIFFICULT YEAR



**ALASTAIR MILLER**  
CHIEF FINANCIAL OFFICER

FY11 HAS BEEN A DIFFICULT YEAR AND THE CONSUMER ENVIRONMENT IN FY12 IS LIKELY TO REMAIN CHALLENGING. WE WILL TAKE APPROPRIATE STEPS TO ENSURE WE ARE ABLE TO SUPPORT THE VALUE PROPOSITION THAT OUR CUSTOMERS EXPECT.

\* All metrics in this Financial Review represent the Group's Key Performance Indicators.

## Revenue

Strong growth in our e-commerce business complemented additional revenue from new stores but this was more than offset by a revenue decline from the existing store base. The UK suffered from a deteriorating economy but we also experienced some internal disruption arising from the relocation of the Buying and Merchandising departments in the latter part of 2009 which impacted our product performance in FY11. Group revenue was down 0.2% year on year.

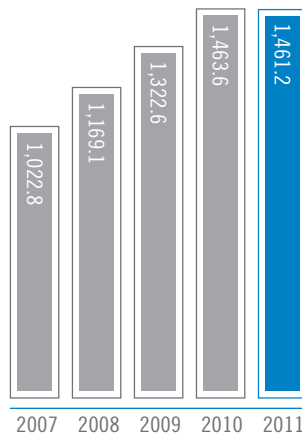
In the UK, a combination of rising unemployment, falling consumer confidence and general inflationary pressures led to a squeeze on consumer spending which has impacted the whole retail sector.

Consequently footfall has generally been weak, particularly from the end of January 2011 through to the year-end. This weakness in demand has been exacerbated by our poor product performance as we settled in new buyers and merchandisers following the relocation of these two departments from Weymouth to London. The biggest impact was felt in autumn/winter 2010 ranges which was the first full season bought by the new teams. We expect to see improvement in product performance during 2011.

## TOTAL REVENUE \*

£m

**£1,461.2m**  
-0.2%



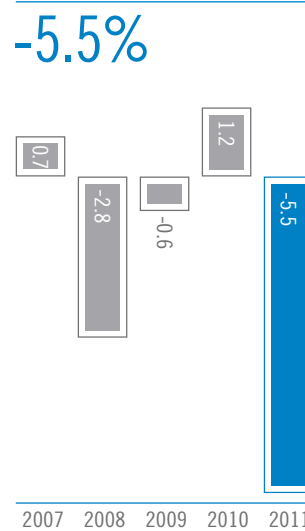
## LFL sales

Group LFL sales were down -5.5%, impacted to a large extent by the UK Retail business. At 73% of Group revenues the UK inevitably has a significant impact on the Group LFL performance. UK LFL was -7.1%.

The difficult economic environment in RoI continues to suppress revenue growth in that territory. However France has performed better for both New Look and Mim with actions taken last year having a strong impact on Mim's recovery.

## GROUP LFL SALES \*

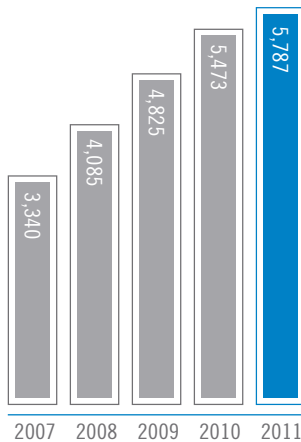
%



The Group computes its LFL store sales (excluding VAT or local equivalent) in local currencies. The total Group LFL store sales have been calculated on a constant currency basis. LFL stores are defined as own stores that have traded for more than 52 weeks, excluding existing stores where a new Group store has opened within one mile (for the first 52 weeks of the new stores commencement of trading) or where the store has undergone a significant increase or decrease in trading space during the period. Sales are defined as gross transactional value; see note 5 of the Group financial statements

SPACE \*  
'000 sq ft

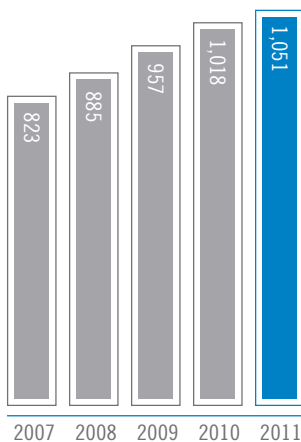
5,787 sq ft  
+5.7%



Includes franchise trading space and is at the financial period end

TOTAL STORES \*

1,051  
+33



## Space

Group space increased by 5.7% from 5,473,000 sq ft to 5,787,000 sq ft in FY11, with average store space increasing from 5,376 sq ft to 5,506 sq ft as the Group continues with its strategy of store expansion and relocation, migrating small stores which are undersized for the market in which they operate to larger, more profitable formats, in addition to expanding into new markets.

During the year the Group has opened 40 stores to increase our presence in both our owned and franchise markets. Our Franchise business has opened 18 stores across six countries during the year, giving us a total of 67 franchise stores by the end of the year. This included entering new markets in Malta and Ukraine with a great response from both our customers and the local press. As we grow our international presence, we continue to learn how to select and successfully open new stores in new markets, reinforcing our ultimate goal of being a truly international fashion value retailer.

As part of our review of the Mim business during the year we identified that some larger format Mim stores should be able to trade more successfully as a New Look branded store. Consequently 10 Mim stores

underwent rebranding to become New Look stores during the second half, with encouraging initial results.

In the Republic of Ireland we successfully opened a 30,000 sq ft flagship store in Dublin during the year despite the tough economic climate.

New stores were complemented by some further refurbishments of existing stores. We have now completed a total of 331 store "Look and Feel" upgrades to date, including 163 stores completed in FY11. These stores have shown stronger LFL sales compared to comparable stores which have not been refitted.

## Multi-channel developments

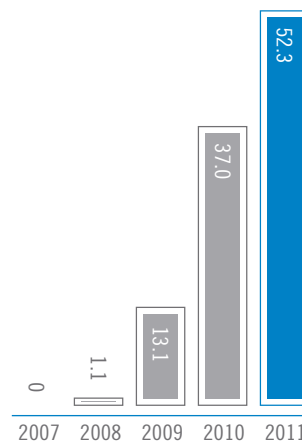
Our online business continues to grow, with New Look having a presence in over 120 countries by the end of the year (24 countries at 27 March 2010), reaching new destinations in Asia, Central and South America, Africa and the Middle East. This increased geographical coverage, together with improved brand awareness, the successful launch of our new improved interactive website, our new e-commerce applications including order in-store, and the launch of the new smart mobile phone platform, will all help drive revenue generation further.

Our on-line platform receives almost 2 million visits per week, with all of our in-store range now available to buy on-line. In addition there is an extended range of web exclusives and boutique brands not available in our stores. We are delighted with the strong on-line progress, with sales having grown year on year by 41.4%, to £52.3 million in FY11.

We remain committed to the expansion of the multi-channel proposition, with new initiatives in FY12 – including the roll out of on-line ordering in-store as well as Click and Collect (in-store). Local language and local currency websites will give us a great opportunity to further grow and build our international presence.

ONLINE SALES \*  
£m

£52.3m  
+41.4%



### Gross margin

Gross margin has fallen by 2.8% points to 53.9% in FY11 due largely to the tough trading environment and poor product performance experienced during the year which resulted in higher levels of markdown and promotional discount spend. In particular, the adverse weather conditions experienced in December resulted in a rollover of unsold stock into January which failed to clear sufficiently well in the January sale. This was then compounded by a downturn in consumer spending into February and March resulting in an excess of ageing autumn-winter stock which was threatening to impair the launch of new spring-summer ranges. Consequently the decision was taken to return excess autumn/winter stock from most of the stores back to our distribution centre where it was sold to specialist stock liquidation firms. This resulted in an additional stock provision being charged to cost of sales amounting to £4.9 million over and above the normal ageing provision.

### Adjusted EBITDA

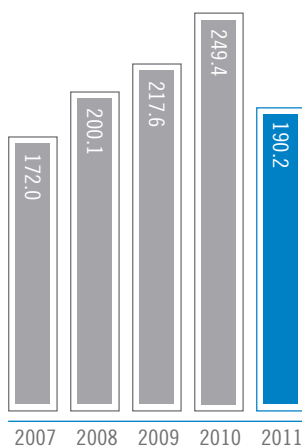
The difficult trading environment and product issues arising in the UK have impacted heavily on Group adjusted EBITDA which fell to £190.2 million (2010: £249.4 million).

We manage costs rigorously and will continue to take steps to ensure the Group is able to adapt its cost base to reflect its revenue growth.

### ADJUSTED EBITDA \*

£m

**£190.2m**  
-23.7%



Adjusted EBITDA, a non-IFRS measure, is calculated as the Group's underlying operating profit before depreciation of tangible fixed assets, amortisation of intangible fixed assets and the income statement charge in relation to the Group's onerous lease provision

### Underlying operating profit

Depreciation and amortisation charges increased from £76.8 million to £84.9 million for the Group due to the investment in new store acquisitions and refurbishment of the existing estate.

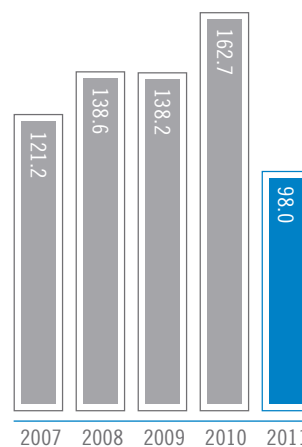
The Group has been actively working on reducing the number of non-trading stores through reassignment of leases. As such the charge for the onerous lease provision has reduced by £2.6 million from £9.9 million in FY10 to £7.3 million in FY11.

The underlying operating profit for the Group has decreased by £64.7 million to £98.0 million in FY11.

### UNDERLYING OPERATING PROFIT \*

£m

**£98.0m**  
-39.8%



Underlying operating profit is a non-IFRS measure, and is calculated on page 49 of the consolidated financial statements

### Pre-tax profit

Net interest costs increased by £0.1 million to £98.5 million as a result of an increase in the capitalised interest on the PIK debt which increased by £5.5 million year-on-year. This was offset by the lower average LIBOR rate and scheduled debt repayments made during the year.

An exceptional charge amounting to £4.4 million has been recognised to write down tangible and intangible assets in certain stores to their recoverable amount as a result of a decline in trading conditions.

The results for the Group for FY11 show a pre-tax profit of £nil (2010: £36.0 million).

## Cash generation

The impact of lower operating profit has been mitigated through the paring back of capital expenditure to £75.3 million (2010: £97.4 million). A shortage of good quality property opportunities has coincided with our desire to cut back on capital expenditure resulting in a lower rate of investment in new stores than in previous years. Some of this capital investment has been refocused on our e-commerce business which continues to enjoy strong growth potential.

Inventory levels are higher year on year as a result of new store openings, inflation and the earlier timing of spring/summer stock intake.

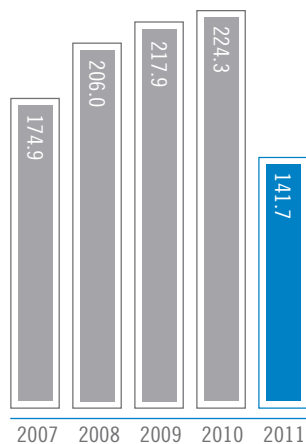
Scheduled debt payments of £39.9 million relating to Tranche A senior debt were made in the year (2010: £39.8 million).

Overall the Group closing cash balance has declined by £14.9 million from £206.3 million in FY10 to £191.4 million in FY11.

### CASH GENERATION \*

£m

**£141.7m**  
-36.8%



Cash generation is a non-IFRS measure which is calculated as the Group's net cash from operating activities before cash outflow related to the share based payment in respect of an internal reorganisation of the Group in FY07. The Directors believe that cash generation assists in understanding the trading performance of the Group as it represents the amount of cash generated after tax by the Group's trading activities.

## Net debt

Group net debt increased from £1,033.3 million to £1,070.1 million in the year. The year-end debt position includes £650.6 million (2010: £591.4 million) of Payment-in-Kind ("PIK") debt where there is no cash payment for the interest, with the interest due being rolled into the outstanding debt position.

The Group continues to drive positive cash flows after servicing its debt and meets all of its debt covenant requirements. There are no material debt maturities due before 2013.

No dividend has been paid or proposed in the year (2010: £nil).

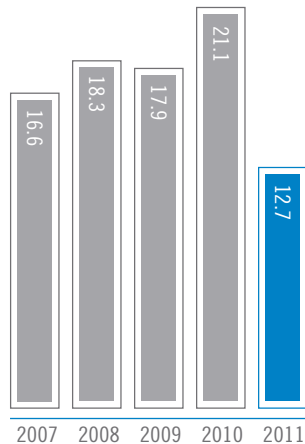
## ROCE

The 39.8% year on year decline in ROCE to 12.7% reflects the decrease in underlying operating profit as average capital employed remains similar year on year.

### ROCE \*

%

**12.7%**



ROCE is our Return on Capital Employed, which is calculated as underlying operating profit divided by average capital employed (Net liabilities less financial liabilities and cash & cash equivalents), none of which is an IFRS measure.

## Current year trading

We have had an encouraging start to the new financial year, with trading in April benefitting from the warmer weather across the UK, coupled with the later Easter holidays this year. We remain cautious, however, about the outlook for FY12 with the consumer environment likely to remain challenging as inflation, potential interest rate rises and Government cuts continue to squeeze consumers' discretionary spending. We will take appropriate steps to ensure we are able to support the value proposition that our customers expect.

**ALASTAIR MILLER**  
CHIEF FINANCIAL OFFICER

# BOARD OF DIRECTORS

THE BOARD OF DIRECTORS REFLECTS A WEALTH OF KNOWLEDGE AND INDUSTRY EXPERIENCE.



**ALISTAIR MCGEORGE,**  
EXECUTIVE CHAIRMAN

Alistair McGeorge was most recently Chief Executive of Matalan, the value retail chain, a post held for almost four years until November 2010. At Matalan, Alistair was responsible for transforming the look and feel of the stores and improving operational efficiency. This resulted in a significant improvement in financial performance and returned the business to growth. Before joining Matalan, Alistair worked in a variety of roles for Littlewoods/Shop Direct (formerly Littlewoods plc), latterly as Chief Executive Officer. He is a qualified chartered accountant.



**LEANNE BUCKHAM,**  
NON-EXECUTIVE DIRECTOR

Appointed to the Board\* in April 2004 as Non-Executive Director, Leanne Buckham is a chartered accountant. She is a Principal at Permira Advisers LLP (Permira) in their Consumer Sector. She has worked on a number of transactions including Gala Coral Group, New Look and Principal Hayley Group. Prior to joining Permira in 2003, she was a Director at PricewaterhouseCoopers LLP in London having spent the last five years in their Transaction Services business.



**MARTIN CLARKE,**  
NON-EXECUTIVE DIRECTOR

Appointed to the Board\* in April 2004 as Non-Executive Director, Martin Clarke holds an MA and PhD in history from Cambridge University. He is a Partner at Permira Advisers LLP (Permira), heading up its Consumer Sector. He has worked on a number of transactions including Gala Coral Group, New Look, Principal Hayley Group and Galaxy Entertainment Group Limited. He has over 20 years' experience in private equity and prior to joining Permira was a director of PPMV, the private equity arm of Prudential plc. His early career was spent at Cinven.



**TRIPP LANE,**  
NON-EXECUTIVE DIRECTOR

Appointed to the Board\* in March 2010 as Non-Executive Director, Tripp Lane holds an MBA from The Wharton School and an MA from Johns Hopkins University. He is a Principal at Apax Partners Worldwide LLP in London. He joined Apax in 2006 and has worked on deals including Cengage Learning, New Look, EMAP, and Hit Entertainment.

\* Board is defined here as the ultimate holding company at the date mentioned. Due to various Group re-organisations, New Look Retail Group Limited has only been the ultimate holding company since 7 June 2006.

New Look Retail Group Limited is the ultimate holding company of the New Look Group. Apax Funds and Permira Funds each own 27.7% of the total issued share capital.



**ALASTAIR MILLER,**  
CHIEF FINANCIAL OFFICER

Alastair Miller was appointed to the Board\* in January 2000. He joined the Group as Group Finance Director, becoming Chief Financial Officer in April 2008 responsible for Finance, IT, Property, Strategic Planning, Internal Audit, Investor Relations and Company Secretariat. Prior to joining the Group, he was the Group Finance Director at RAC and a Finance Director within the BTR group. He qualified as a chartered accountant at Price Waterhouse where he was also a management consultant.



**ORIOI PINYA,**  
NON-EXECUTIVE DIRECTOR

Appointed to the Board\* in November 2010 as Non-Executive Director, Oriol Pinya holds a BBA from ESADE, a Master CEMS from HEC and an MBA from Harvard Business School. He is a Partner at Apax Partners Worldwide LLP where he co-leads the Retail & Consumer team globally. Apax deals include Takko, Panrico, Electro-Stocks, Vueling, Itevelesa, easyEverything and Independer. He has prior experience at BCG and Merrill Lynch.



**TOM SINGH,**  
COMMERCIAL DIRECTOR

Tom Singh founded the New Look business in 1969 and had overall responsibility for New Look's Buying and Merchandising until he became a Non-Executive Director and consultant in May 2001. Following the public to private re-organisation in April 2004, he was appointed Managing Director, Commercial until June 2006 when he again became a Non-Executive Director. In March 2011, he became an Executive Director, leading the Buying, Merchandising, Design and Sourcing functions.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period.

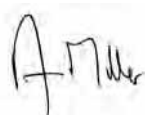
In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



ALASTAIR MILLER  
COMPANY SECRETARY  
27 May 2011

# OTHER MATTERS

## Directors

The Directors whose details are set out on pages 42 and 43 are the current Directors of the Company. During the financial year, the following persons were also Directors of the Company:

- Carl McPhail, who was appointed to the Board in June 2001, became Chief Executive Officer in April 2008 and resigned on 21 March 2011.
- John Gildersleeve, who was appointed as Non-Executive Chairman of the Group in January 2010 and resigned on 18 March 2011.
- Matthew Brockman, a partner of Apax Partners Worldwide LLP, who was appointed to the Board as a Non-Executive Director in June 2006 and resigned on 30 September 2010.
- Stella David, who was appointed to the Board as a Non-Executive Director in March 2010 and resigned on 12 July 2010.
- Carolyn McCall, who was appointed to the Board as a Non-Executive Director in March 2010 and resigned on 12 July 2010.
- Henry Staunton, who was appointed to the Board as a Non-Executive Director in March 2010 and resigned on 12 July 2010.

The Directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the financial statements.

## Payment of suppliers

The Group's creditor days as at 26 March 2011 were 61 days (2010: 59 days). Payment is made in accordance with contractual or other legal obligations. The parent Company has no trade creditors.

## Political donations

The Group made no political donations in the period (2010: £nil).

## Indemnity insurance

The Company maintains liability insurance for its Directors and officers.

## Walker report

On 20 November 2007, David Walker published his 'Guidelines for Disclosure and Transparency in Private Equity' (the Walker Report). Since then the Private Equity Monitoring Group on Transparency and Disclosure has produced three reports the third of which was issued in December 2010. This report has been prepared in the context of those recommendations.

## Directors' statement as to the disclosure of information to auditors

In respect of each Director who was a Director at the time when the report was approved:

- so far as the Director is aware, there is no information which would be needed by the Company's auditors in connection with the preparation of their audit report of which the auditors are not aware; and
- each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any audit information, and to establish that the auditors are aware of that information.

## Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors.

On behalf of the Board



ALASTAIR MILLER  
CHIEF FINANCIAL OFFICER  
27 May 2011

## FINANCIAL STATEMENTS

# OUR FINANCIAL PERFORMANCE

Independent auditors' report – Group accounts	47
Consolidated income statement	48
Consolidated statement of comprehensive income	49
Consolidated balance sheet	50
Consolidated statement of changes in equity	51
Consolidated statement of cash flows	52
Notes to the Group financial statements	53
Independent auditors' report – Company accounts	86
Company balance sheet	87
Notes to the Company financial statements	88
Contacts	92

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW LOOK RETAIL GROUP LIMITED

We have audited the Group financial statements of New Look Retail Group Limited for the period ended 26 March 2011 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 26 March 2011 and of its loss and cash flows for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the Group financial statements are prepared is consistent with the Group financial statements.

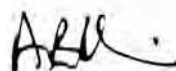
## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the parent company financial statements of New Look Retail Group Limited for the period ended 26 March 2011.



ALAN KINNEAR (SENIOR STATUTORY AUDITOR)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton  
27 May 2011

- The maintenance and integrity of the New Look Retail Group Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# NEW LOOK RETAIL GROUP LIMITED

## CONSOLIDATED INCOME STATEMENT

	Notes	For the financial periods	
		52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Revenue	5, 6	1,461.2	1,463.6
Cost of sales		(673.6)	(634.2)
<b>Gross profit</b>		<b>787.6</b>	829.4
Administrative expenses		(689.2)	(695.4)
<b>Operating profit</b>	7	<b>98.4</b>	134.0
Finance income	9	2.7	3.4
Finance expense	9	(101.2)	(101.8)
Share of post tax profit from joint venture	15	0.1	0.4
<b>Profit before taxation</b>		–	36.0
Taxation	11	(2.9)	(16.3)
<b>(Loss)/profit attributable to equity holders of New Look Retail Group Limited</b>	32	<b>(2.9)</b>	19.7

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

# NEW LOOK RETAIL GROUP LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the financial periods	
		52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>(Loss)/profit for the period</b>		<b>(2.9)</b>	19.7
<b>Other comprehensive income</b>			
Cash flow hedges	25, 32	(13.5)	0.2
Exchange differences on translation of foreign operations	32	(7.3)	(4.7)
Tax credit on items recognised directly in equity	11	4.1	0.3
<b>Other comprehensive loss for the period, net of tax</b>		<b>(16.7)</b>	(4.2)
<b>Total comprehensive (loss)/income for the period</b>		<b>(19.6)</b>	15.5

The income tax relating to each component of other comprehensive income is disclosed in note 11.

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

Underlying operating profit is calculated as follows:

	Notes	For the financial periods	
		52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Operating profit		<b>98.4</b>	134.0
Add back/(deduct):			
Exceptional items	10	3.6	22.5
Share based payment expense	30	1.1	10.1
Fair value movement of financial instruments	25	(5.1)	(3.9)
<b>Underlying operating profit</b>	5	<b>98.0</b>	162.7

# NEW LOOK RETAIL GROUP LIMITED

## CONSOLIDATED BALANCE SHEET

	Notes	As at 26 March 2011 £m	As at 27 March 2010 £m
<b>Non-current assets</b>			
Property, plant and equipment	13	235.5	268.7
Intangible assets	14	741.4	729.2
Investment in joint venture	15	1.7	1.6
Available for sale financial assets	16	0.3	0.3
Other receivables	18	49.0	51.8
Income tax assets		1.9	–
Deferred income tax assets	11	27.0	21.8
		<b>1,056.8</b>	<b>1,073.4</b>
<b>Current assets</b>			
Inventories	17	149.5	126.3
Income tax assets		–	0.5
Trade and other receivables	18	64.9	72.2
Derivative financial instruments	19	1.6	16.4
Cash and cash equivalents (excluding bank overdrafts)	20	191.4	206.3
		<b>407.4</b>	<b>421.7</b>
<b>Total assets</b>		<b>1,464.2</b>	<b>1,495.1</b>
<b>Current liabilities</b>			
Trade and other payables	21	270.9	287.5
Financial liabilities	22	25.2	39.8
Derivative financial instruments	23	10.6	11.3
Provisions	28	5.7	10.5
Income tax liabilities		2.0	13.9
		<b>314.4</b>	<b>363.0</b>
<b>Non-current liabilities</b>			
Trade and other payables	21	99.0	85.3
Financial liabilities	22	1,236.3	1,199.8
Derivative financial instruments	23	2.8	8.5
Provisions	28	11.3	13.4
Deferred income tax liabilities	11	89.3	94.1
		<b>1,438.7</b>	<b>1,401.1</b>
<b>Total liabilities</b>		<b>1,753.1</b>	<b>1,764.1</b>
<b>Net liabilities</b>		<b>(288.9)</b>	<b>(269.0)</b>
<b>Deficit attributable to equity holders of New Look Retail Group Limited</b>			
Share capital	31	10.4	10.4
Share premium	31	0.6	0.6
Treasury shares	31	(19.1)	(14.0)
Other reserves	32	8.3	25.9
Reverse acquisition reserve	32	(285.3)	(285.3)
Retained earnings	32	(3.8)	(6.6)
<b>Total deficit</b>		<b>(288.9)</b>	<b>(269.0)</b>

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

The financial statements on pages 48 to 52 were authorised for issue by the Board of Directors on 27 May 2011 and were signed on its behalf by:



**ALASTAIR MILLER**  
CHIEF FINANCIAL OFFICER  
NEW LOOK RETAIL GROUP LIMITED

Registration number: 05810406

# NEW LOOK RETAIL GROUP LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to the shareholders of New Look Retail Group Limited					Total £m
		Share capital £m	Share premium £m	Treasury shares £m	Other reserves £m	Retained earnings £m	
<b>Balance at 28 March 2009</b>	31, 32	10.3	–	(10.2)	(254.6)	(31.3)	(285.8)
<b>Comprehensive income</b>							
Profit for the financial period	32	–	–	–	–	19.7	19.7
<b>Other comprehensive income</b>							
Exchange differences on translation of foreign companies	32	–	–	–	(4.7)	–	(4.7)
Movements in hedged financial instruments	32	–	–	–	0.2	–	0.2
Tax on items recognised directly in equity	11	–	–	–	0.3	–	0.3
Total other comprehensive income		–	–	–	(4.2)	–	(4.2)
<b>Total comprehensive income</b>		–	–	–	(4.2)	19.7	15.5
<b>Transactions with owners:</b>							
Employee share option scheme:							
– value of employee services	32	–	–	–	–	5.1	5.1
ESOPs shares unallocated	30, 32	–	–	–	(0.7)	–	(0.7)
Proceeds from share issue	31	0.1	0.6	–	–	–	0.7
Transfer of exercised shares	30, 32	–	–	–	0.1	(0.1)	–
Purchase of treasury shares	31	–	–	(3.8)	–	–	(3.8)
<b>Total transactions with owners</b>		0.1	0.6	(3.8)	(0.6)	5.0	1.3
<b>Balance at 27 March 2010</b>	31, 32	10.4	0.6	(14.0)	(259.4)	(6.6)	(269.0)
<b>Comprehensive income</b>							
Loss for the financial period	32	–	–	–	–	(2.9)	(2.9)
<b>Other comprehensive income</b>							
Exchange differences on translation of foreign companies	32	–	–	–	(7.3)	–	(7.3)
Movements in hedged financial instruments	32	–	–	–	(13.5)	–	(13.5)
Tax on items recognised directly in equity	11	–	–	–	4.1	–	4.1
Total other comprehensive income		–	–	–	(16.7)	–	(16.7)
<b>Total comprehensive income</b>		–	–	–	(16.7)	(2.9)	(19.6)
<b>Transactions with owners:</b>							
Employee share option scheme:							
– value of employee services	32	–	–	–	–	5.9	5.9
ESOPs shares unallocated	30, 32	–	–	–	(1.1)	–	(1.1)
Transfer of exercised shares	30, 32	–	–	–	0.2	(0.2)	–
Purchase of treasury shares	31	–	–	(5.1)	–	–	(5.1)
<b>Total transactions with owners</b>		–	–	(5.1)	(0.9)	5.7	(0.3)
<b>Balance at 26 March 2011</b>	31, 32	10.4	0.6	(19.1)	(277.0)	(3.8)	(288.9)

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

# NEW LOOK RETAIL GROUP LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

	For the financial periods	
	52 weeks ended 26 March 2011	52 weeks ended 27 March 2010
Notes	£m	£m
<b>Cash flows from operating activities</b>		
Operating profit	98.4	134.0
Depreciation of property, plant and equipment	80.8	73.4
Impairment of property, plant and equipment	3.9	1.1
Amortisation and impairment of intangible assets	5.1	3.4
Loss on disposal of tangible and intangible assets	1.3	1.5
Share based payment expense	1.1	10.1
Fair value gains in financial instruments	(5.1)	(3.9)
Foreign exchange gains on operating activities	(0.4)	(1.0)
Amortisation of lease inducements	(9.0)	(5.9)
(Increase)/decrease in inventories	(23.6)	22.3
Decrease/(Increase) in trade and other receivables	9.2	(20.9)
Increase in trade and other payables	15.6	28.1
(Decrease)/increase in provisions	(6.9)	1.7
Income taxes paid	(22.2)	(15.2)
ESOPs shares unallocated	(1.4)	(0.6)
Purchase of treasury shares	(5.1)	(3.8)
<b>Net cash flow from operating activities</b>	<b>141.7</b>	<b>224.3</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(63.4)	(87.5)
Purchase of intangibles	(16.9)	(9.7)
Proceeds from sale of property, plant and equipment	0.3	–
<b>Net cash from investing activities</b>	<b>(80.0)</b>	<b>(97.2)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(36.2)	(41.4)
Interest received	1.0	1.2
Proceeds from issuance of ordinary A shares	–	0.7
Repayment of borrowings	(39.9)	(39.8)
<b>Net cash from financing activities</b>	<b>(75.1)</b>	<b>(79.3)</b>
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	<b>26</b>	<b>47.8</b>
Opening cash, cash equivalents and bank overdrafts	26	206.3
Exchange losses on cash, cash equivalents and bank overdrafts	26	(2.6)
<b>Closing cash, cash equivalents and bank overdrafts</b>	<b>26</b>	<b>206.3</b>

The notes on pages 53 to 85 are an integral part of these consolidated financial statements.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 1 Authorisation of financial statements and statement of compliance with IFRSs

The consolidated financial statements of the Group for the 52 weeks ended 26 March 2011 were authorised for issue by the Board of Directors (“the Board”) on 27 May 2011 and the balance sheet was signed on the Board’s behalf by Alastair Miller. New Look Retail Group Limited is a private limited company incorporated and domiciled in England & Wales whose registered office is New Look House, Mercery Road, Weymouth, Dorset, DT3 5HJ. The registered number of the company is 05810406.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Group financial statements are set out below. These policies have been applied consistently to all the periods presented, unless otherwise stated.

#### 2.1 Basis of Preparation

The Group financial statements have been prepared on a going concern basis in accordance with International Financing Reporting Standards as adopted for use in the European Union (IFRSs as adopted by the EU), International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements are presented in Pound Sterling and all values are rounded to the nearest million (£m) except where otherwise indicated.

There are no material differences between the results shown in the consolidated income statement and the results prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivatives) at fair value through the income statement.

(a) **Standards, amendments and interpretations that were effective in the period and were adopted by the Group in preparing the financial statements. No other standards effective in the period were relevant to the Group’s operations.**

IAS 27 (revised) ‘Consolidated and separate financial statements’ – effective for accounting periods beginning on or after 1 July 2009. The revision requires the effects of all transactions with non-controlling interests to be recorded in equity if there is a change in control and will no longer result in goodwill or gains and losses. This does not have an impact on the Group’s financial statements as there are no non-controlling interests.

IAS 32 (amendment) ‘Financial instruments: Presentation on classification of rights issues – effective for accounting periods beginning on or after 1 February 2010. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. The Group does not consider there to be any material impact on the Group’s financial statements.

IAS 39 (amendment) ‘Financial instruments: Recognition and measurement’ on ‘Eligible hedged items’ – effective for accounting periods beginning on or after 1 July 2009 and is applied retrospectively in accordance with IAS 8. The amendment prohibits designating inflation as a hedgeable component of fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. This amendment does not have a material impact on the Group’s financial statements.

IFRS 2 (amendments) ‘Share based payments’ on Group cash settled transactions – effective for accounting periods beginning on or after 1 January 2010. These amendments incorporate IFRIC 8 and IFRIC 11 into the standard and provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. The Group does not consider there to be any material impact on the Group’s financial statements.

IFRS 3 (revised) ‘Business combinations’ – effective for accounting periods beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes. For example, all payments to purchase a business are to be recorded at

fair value at the acquisition date, with some contingent payments classified as debt subsequently re-measured at fair value through the statement of comprehensive income. All acquisition-related costs are expensed. The revised standard is to be applied prospectively and therefore it does not have any material impact on the Group’s financial statements but it will be applied to any future business combinations.

IFRIC 16 ‘Hedges of a net investment in a foreign operation’ – effective 1 July 2009. The interpretation clarifies the accounting for net investment hedging including that the hedging instruments may be held anywhere in the Group. This interpretation does not have an impact on the Group’s financial statements as the Group does not currently hedge investments in foreign operations.

IFRIC 17 ‘Distributions of non-cash assets to owners’ – effective for accounting periods beginning on or after 1 July 2009. This interpretation clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. This interpretation does not have an impact on the Group’s financial statements as there have been no dividends.

IFRIC 18 ‘Transfer of assets from customers’ – effective for accounting periods beginning on or after 31 October 2009. This interpretation clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. This interpretation does not have any impact on the Group’s financial statements as there have been no transfers of assets from customers.

Annual improvements 2009 – predominantly effective for accounting periods beginning on or after 1 January 2010. This is a collection of amendments to 12 standards as part of the IASB programme of annual improvements. The Group does not consider there to be any material impact on the Group’s financial statements.

(b) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group. The Group is still considering the impact of these changes, but any impact is not expected to be material to the Group’s financial statements, unless stated otherwise below. No other existing standards that are not yet effective are relevant to the Group’s operations.**

IAS 24 (revised) ‘Related party disclosures’ – effective for accounting periods beginning on or after 1 January 2011. This amendment simplifies the definition of a related party.

IFRS 7 (amendments) ‘Financial instruments: Disclosures’ – effective for accounting periods beginning on or after 1 July 2011. This amendment will require further enhancements to disclosure in relation to risk exposures relating to the transfers of financial assets and the effect of those risks on the Group’s financial position.

IFRS 9 ‘Financial instruments’ on classification and measurement of financial assets – effective for accounting periods beginning on or after 1 January 2013. This is part of the new standard that will replace IAS 39 and will have two measurement categories for financial assets: amortised cost and fair value.

IFRS 9 ‘Financial instruments’ on classification and measurement of financial liabilities – effective for accounting periods beginning on or after 1 January 2013. This is the addition to IFRS 9 for dealing with financial liabilities and replacing IAS 39.

Amendment to IFRIC 14 ‘Prepayments of a minimum funding requirement’ – effective for accounting periods beginning on or after 1 January 2011. This amendment applies to entities that are required to make minimum funding contributions to a defined benefit pension plan. This amendment will not have any impact on the Group’s financial statements, as the French scheme is not subject to any minimum funding requirement.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 2.1 Basis of Preparation continued

IFRIC 19 'Extinguishing financial liabilities with equity instruments' – effective for accounting periods beginning on or after 1 July 2010. This interpretation clarifies the accounting treatment when an entity extinguishes its debt by replacing it with equity instruments issued to the creditor.

Annual improvements 2010 – predominantly effective for accounting periods beginning on or after 1 January 2011. This is a collection of amendments to 6 standards and 1 IFRIC as part of the IASB programme of annual improvements.

### 2.2 Basis of consolidation

The Group financial statements incorporate the financial statements of the Company, its subsidiary undertakings and joint venture. Joint ventures are accounted for using the equity method, see 2.3.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisitions of subsidiaries by the Group prior to 1 July 2009 have been included in the Group financial statements using the purchase method of accounting that measures the assets and liabilities given, incurred or assumed at their fair value at the acquisition date, plus costs directly attributable to the acquisition. For all acquisitions occurring on or after 1 July 2009, costs relating to the acquisition shall be expensed.

Acquisitions which result from a newly created company issuing shares to achieve a business combination are treated as a group reorganisation. When the acquiree has not been combined with any other business and continues to meet the definition of a business then reverse acquisition accounting has been applied.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.3 Interest in joint ventures

The Group has an investment in a joint venture which is jointly controlled through a separate legal entity. The Group recognises its interest using the equity method of accounting. The investment was initially recorded at cost and adjusted thereafter for the post acquisition changes in the Group's share of net assets less distributions received less any impairment in value. The Group's share of the entity's profit or loss after taxation is included in the consolidated income statement with the Group's share of any income and expense outside profit and loss recognised in the consolidated statement of comprehensive income.

### 2.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided to customers outside the Group, stated net of returns, staff discounts, and value added and other sales taxes.

The Group recognises revenue when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. For example, it is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns.

Sales of goods and concession income are recognised when goods are delivered and title passed. Income from rendering of services is recognised when the services have been performed. Internet sales are recognised when the goods are despatched to the customer. Store card arrangement fees are recognised over the life of the agreement with the store card provider.

Revenue from concessions is shown on a net basis, being the commission received rather than the gross value achieved by the concessionaire on the sale.

Rental income in respect of sub-leased stores is recognised on a straight-line basis over the period of the sub-lease.

Franchise income is received in connection with the franchise of the Group's brand name overseas. Franchise royalty income represents the release of the initial fee to grant exclusivity that has been spread over the term of the agreement. Monthly franchise fee income is recognised in accordance with the related underlying trading performance of the franchisee. Monthly income covering the supply of goods to the franchisee is included in the sale of goods.

### 2.5 Cost of sales

Cost of sales consists of expenses incurred in getting products to a saleable position and condition. Such costs principally include purchasing of products from suppliers, packaging, freight and distribution costs.

### 2.6 Interest income

Interest income is accounted for on the accruals basis, by reference to the principal outstanding and the applicable effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

### 2.7 Exceptional items

Significant non-recurring items of income and expense are disclosed in the underlying profit reconciliation as exceptional items. The separate reporting of exceptional items helps provide an indication of the Group's underlying business performance.

Costs which may be classified as exceptional include costs of restructuring and reorganisation of the business (such as directly related legal and professional costs, redundancies, relocation costs and duplicate facility costs), writing down inventories by material amounts to net realisable value, impairments or reversal of impairments of intangible assets, property, plant and equipment, litigation settlements and abortive costs incurred in preparation for flotation.

### 2.8 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling, which is the Group's presentational currency.

Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are recognised in the income statement for the period.

Upon consolidation, assets and liabilities of the Group's overseas subsidiary undertakings are translated into Sterling at the rate of exchange ruling at the balance sheet date and income statements are translated at the average exchange rate during the period. Differences on translation are recognised in a separate reserve. On disposal of an overseas subsidiary, the cumulative exchange differences for that subsidiary are recognised in the income statement as part of the profit or loss on disposal.

## 2.9 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write down the cost of fixed assets to their estimated residual values, based on current prices at the balance sheet date, over their remaining useful lives on a straight-line basis.

Asset Category	Useful life
Freehold buildings	50 years
Leasehold land and buildings	Period to end of lease
Fixtures and equipment	3 to 15 years

Refurbishments are included in the asset's carrying amount only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably and are depreciated over the asset's remaining useful economic life. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. From 28 March 2010 the remaining useful life of the existing Weymouth freehold buildings were revised to 2.5 years, see note 13.

An asset's net carrying amount is written down immediately to its recoverable amount if the asset's net carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the net carrying amount.

## 2.10 Intangible assets

### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

### (b) Other intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired as part of a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are capitalised when certain criteria are met in accordance with IAS 38, otherwise this expenditure is charged against income in the year in which it is incurred.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with an indefinite life are not amortised but are subject to an impairment test as described in note 2.11. Where amortisation is charged on assets with finite lives, this expense is taken to the consolidated income statement, on a straight-line basis, through administrative expenses, based on the useful life shown below:

Category	Useful life
Brand	Indefinite
Software licences	1 to 5 years
Domain names	5 to 10 years
Recoverable leasehold property premiums	Period to end of lease

Intangible assets with finite lives are assessed for impairment in accordance with note 2.11.

## 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the net carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs) and impairment is tested for groups of CGUs not larger than operating segments which are country sub-groups of each of the Group's brands, in line with internal management reporting.

For non-financial assets other than goodwill, impairment losses are reviewed for possible reversal at each reporting date. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount.

## 2.12 Financial instruments

### (a) Derivative financial instruments

Derivative financial instruments ('derivatives') are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced products and changes in interest rates relating to the Group's debt. In accordance with its treasury policy, the Group does not enter into derivatives for speculative purposes.

Derivatives falling under the classifications laid out in IAS 39 are stated at fair value in the balance sheet.

The fair value of derivative contracts is their market value at the balance sheet date. Market values are calculated using mathematical models and are based on the duration of the derivative instrument together with quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date. The fair value of interest rate contracts is the estimated amount that the Group would receive or pay to terminate them at the balance sheet date, taking into account prevailing interest rates.

### (b) Hedge accounting

For the purpose of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in fair value is recognised in other comprehensive income through the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss.

When a cash flow hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedging reserve in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in the hedging reserve in equity is immediately transferred to the income statement for the period.

## NEW LOOK RETAIL GROUP LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged and continues to be accounted for in the manner that was applicable prior to it being hedged.

Changes in the fair value of derivatives which do not qualify for hedge accounting are recognised in the income statement as they arise.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts. The unrealised gains and losses on embedded derivatives are taken directly to the income statement.

#### (c) Non-derivative financial instruments

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. All deposits are initially recognised at cost.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Interest costs are expensed in the income statement so as to achieve a constant finance cost as a proportion of the related outstanding borrowings.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less any provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's net carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

The Group's unlisted investments are classified as available for sale and are stated at their historic cost less any impairment. They are included in non-current assets since management does not intend to dispose of the investments within 12 months of the balance sheet date.

## 2.13 Inventories

Inventories are valued at the lower of cost and net realisable value, using the weighted average cost basis.

Costs include the direct costs, measured at actual cost, and an attributable proportion of distribution overheads incurred in bringing inventories to their current location and condition.

Net realisable value is based on estimated selling price, less further costs to be incurred to disposal.

## 2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, short-term deposits with an original maturity of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within current financial liabilities.

## 2.15 Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or a non business combination asset or liability;
- In respect of taxable temporary differences associated with investments in subsidiaries and the joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current tax assets against current tax liabilities, when the deferred income taxes relate to income taxes levied by the same tax jurisdiction and when the Group intends to settle its current tax assets and liabilities on a net basis.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## 2.16 Employee benefit costs

### (a) Pension obligations

The Group accounts for pensions and other post-retirement benefits under IAS 19.

The Group only operates defined contribution pension schemes in the UK and RoI. The Group has no further payment obligations once the contributions have been paid. Payments to defined contribution plans are recognised as an expense when the contributions fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The French subsidiaries are subject to a statutory scheme which consists of a single payment at the date of retirement which is classified as a defined benefit plan under IFRS. In respect of this plan, obligations are measured at the discounted present value by a qualified actuary.

### (b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

## 2.17 Share based payments

The Group operates a number of share based payment schemes: the Senior Management Scheme, the 2004 Share Scheme, the 2006 Option Plan and the 2008 Share Plan. Each scheme features both equity and cash settled components.

The cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an IFRS 2 compliant pricing model.

At each balance sheet date, the Group revises its estimates of the number of options or shares that are expected to vest. The impact of the revision, if any, is recognised in the income statement with a corresponding adjustment to reserves.

The Group provides for the expected cost of 'Good Leavers' which are settled in cash by estimating at each balance sheet date the likely amount of 'Good Leavers' until the date when vesting conditions are met. A provision is created on the balance sheet and a corresponding charge is made to the income statement. 'Good Leavers' could arise from redundancy, disability, injury or death. The actual cost of 'Good Leavers' in the period is charged against the provision brought forward.

Under the 2006 Option Plan and the 2008 Share Plan the number of shares that would vest under the 'Good Leaver' provision would be pro-rated to take into account the length of the holding period since the date of the grant and this pro-rated amount of shares would then be cash settled. Under the Senior Management Scheme and the 2004 Share Scheme the change in equity value from the date of the grant or issue of the shares using an appropriate valuation model is payable to the 'Good Leavers' in cash.

Other Leavers under the 2004 Share Scheme and the 2008 Share Plan are entitled to a cash payment. Provision is made for the cash to which Other Leavers are entitled.

## 2.18 Shares held by the ESOPs

The Employee Share Option Plan Trusts (ESOPs) were set up to allow the issue of shares to Group employees and are consolidated. The shares acquired by the ESOPs are included as treasury shares within capital and reserves at cost. Gains made by the ESOPs on purchasing and selling New Look Retail Group Limited shares are recorded within a separate ESOP reserve.

## 2.19 Provisions

A provision is recognised when: the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

## 2.20 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Where an arrangement is dependent on the use of a specified asset or assets, or conveys the right to use an asset, it is determined to contain a lease although this may not be its legal form. The lease element of the arrangement is accounted for as either a finance or operating lease.

Rentals payable under operating leases are charged to income on a straight-line basis over the period of the lease. Premiums payable on entering an operating lease are released to the income statement on a straight-line basis over the lease term. Rent free periods and lease inducements receivable on entering an operating lease are recognised as deferred income and released to income on a straight-line basis over the lease term. Capital contributions from landlords are reflected as lease incentives.

## 2.21 Share capital

Ordinary share capital is classified as equity. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

## 2.22 Segment reporting

Operating segments by brand and geography are determined in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

## 2.23 Underlying operating profit

In addition to the information required by IFRS and to assist with the understanding of earnings trends, the Group has included within its financial statements a non-GAAP measure referred to as underlying operating profit. Management consider that underlying operating profit reflects the trading performance of the Group which excludes the impacts of exceptional items, share based payments and the marking to market of financial instruments not realised in the period.

## 3 Treasury and financial risk management

The Group's activities expose it to a variety of financial risks: liquidity risk, market risk (including foreign exchange rate risk and interest rate risk) and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group operates a centralised treasury function which is responsible for managing the liquidity, interest and currency risks associated with the Group's activities. As part of its strategy for the management of those risks, the Group uses derivative financial instruments. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes.

The Group's principal financial instruments, other than derivatives, are cash and short-term deposits, bank overdrafts and loans. The main purpose of these financial instruments is to raise finance for the Group's operations. In addition, the Group has various other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains certainty of funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity position which comprise an undrawn revolving credit facility of £50.0m (2010: £50.0m) and an overdraft limit of £5.0m (2010: £5.0m) and cash and short-term deposits (note 20) on the basis of expected cash flow.

The Group monitors compliance against all its financial obligations and it is Group policy to manage the performance and position of the Group so as to operate within covenanted restrictions at all times.

### Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign currency risk is the risk that the fair value of a financial commitment, recognised financial assets or financial liabilities will fluctuate due to changes in foreign currency rates.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 3 Treasury and financial risk management continued

The Group's principal foreign currency exposures arise from the purchase of overseas sourced products. Group policy is to hedge a proportion of these exposures for up to 15 months ahead in order to limit the volatility in the ultimate Sterling cost. This hedging activity involves the use of spot, forward and option contracts. To the extent that the translation of overseas assets is not offset by the effect of translating overseas liabilities, the effects are not currently hedged and are recognised within consolidated reserves.

To manage the foreign exchange risk arising from future commercial transactions and recognised financial assets and financial liabilities, forward contracts, managed by Group treasury, are used.

The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. It is assumed that the balance at the reporting date is representative for the period as a whole.

During all periods, debt Tranches B2 and C2 were denominated in Euros and all other Group borrowings were in Sterling.

During the period ended 26 March 2011, if Sterling had weakened by 5.0% against the Euro with all other variables held constant, post-tax loss (2010: profit) for the period would have been £0.4 million higher (2010: £0.2 million lower), mainly as a result of the translation of subsidiaries with a functional currency of Euros.

During the period ended 26 March 2011, if Sterling had weakened by 5.0% against the US dollar with all other variables held constant, post-tax loss (2010: profit) for the period would have been £2.1 million higher (2010: £1.2 million lower), mainly as a result of a loss on the revaluation of overseas creditors; post-tax movement in equity would have been £0.1 million higher (2010: £0.6 million lower) as a result of the movement in forward currency contracts.

The Group has decided to hold cash in a Euro denominated bank account as a natural hedge for the effect of the revaluation of the Group's Euro denominated bank borrowing. At 26 March 2011, the amount of Euros held as a natural hedge was €75.0 million (2010: €75.4 million) against the total Euro denominated bank borrowings of €75.4 million (2010: €75.4 million).

#### Interest rate risk

The Group uses interest rate derivatives to manage the cost of its floating rate debt by entering into fixed rate derivatives, so as to reduce exposure to changes in interest rates.

The Group analyses its interest rate exposure on a dynamic basis. Various forecasting is simulated taking into consideration refinancing, alternative financing and hedging. Based on these forecasts, the Group calculates the impact on profit and loss of a defined interest rate shift. For each forecast, the same interest rate shift is used across all currencies. The scenarios are only run for liabilities that represent the major interest-bearing positions. The forecasting is done on a regular basis to verify that the maximum loss potential is within the limit given by management.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Group policy is to hedge approximately 50-75% of floating rate exposure.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps and interest rate caps. This has the economic effect of converting borrowings from floating rates to fixed rates.

Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense and other income components.

The interest rate sensitivity analyses are based on the following assumptions:

- In the case of fair value hedges designed for hedging interest rate risk, the changes in the fair value of the hedged item and the hedging instrument attributable to interest rate movements balance out almost completely in the

income statement in the same period. As a consequence, these financial instruments are not exposed to interest rate risk.

- Certain financial instruments are designated as hedging instruments in a cash flow hedge to hedge payment fluctuations resulting from interest rate movements. Changes in the market interest rate affect the hedging reserve in shareholders' equity and are therefore taken into consideration in the equity-related sensitivity calculations.
- Changes in the market interest rate of interest rate derivatives affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations.
- Currency derivatives are not exposed to interest rate risks and are therefore not included in the interest rate sensitivity calculations.

During the period ended 26 March 2011, if interest rates had been 100 basis points higher (2010: 100bp) with all other variables held constant, post-tax loss (2010: profit) for the period would have been £9.0 million higher (2010: £12.4 million lower), mainly as a result of a higher interest expense on floating rate borrowings; post-tax movement in equity would be £3.2 million lower (2010: £2.8 million lower) as a result of movement in cash flow hedges.

During the period ended 26 March 2011, if interest rates on Euro denominated borrowings had been 100 basis points higher (2010: 100bp) with all other variables held constant, post-tax loss (2010: profit) for the period would have been £0.7 million higher (2010: £0.7 million lower) due to the higher interest expense on Euro denominated borrowings.

#### Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

The credit ratings of banks with which the Group has investments of cash surpluses, borrowings or derivative financial instruments are reviewed regularly by management. Each bank is assessed individually with reference to the credit it holds and deposit limits are set, which are approved by the Board and reconsidered if the Fitch Moody S&P (Fitch) credit rating falls below an "A" rating. Each bank is assessed individually with the reference to the credit it holds and a deposit limit is set accordingly and approved by the Board.

Receivable balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

#### Capital risk management

The Group's principal objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for stakeholders.

The Group has debt covenants imposed by its lenders which it must achieve in order to maintain its current level of borrowings. Covenant tests are carried out quarterly and at the end of each financial period. There have been no breaches of the covenants throughout the period (2010: none).

The Group must ensure sufficient capital resources are available for working capital requirements and meeting principal and interest payment obligations as they fall due.

As at 26 March 2011, net debt was £1,070.1 million (2010: £1,033.3 million), see note 26.

## 4 Critical accounting estimates, judgements and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

### (a) Estimated impairment of intangible assets with indefinite lives

The Group tests whether intangible assets with indefinite lives have suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of cash-generating units have been determined based on the higher of value in use or fair value less cost to sell. These calculations require the use of estimates as detailed in note 14.

### (b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. At each financial period end, judgement is required in determining the Group provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on the best estimates of whether additional taxes will be due at the balance sheet date. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

### (c) Share based payments

The share based payment expense is recognised in each period as it is incurred, based on a fair value model, and estimates of the likely future cash payments to good leavers. The key assumptions of this model are presented in note 30.

### (d) Estimated useful life of intangibles, property, plant and equipment

The Group estimates the useful life and residual values of intangible assets, property, plant and equipment and reviews these estimates at each financial period end. The Group also tests for impairment when a trigger event occurs, or annually as appropriate.

### (e) Vacant properties

When a property ceases to be used for the purposes of the business, a provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover the future obligations relating to the lease. Where possible, the property is sub-leased at the prevailing rent.

### (f) Impairment of financial assets

The Group follows the guidance of IAS 39 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### (g) Inventory provisions

The Group estimates a slow moving inventory provision based on prior movements and current market conditions.

## 5 Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board consider the business from both a New Look brand and geographic perspective. Geographically, management considers the performance of the UK (UK Retail and E-Commerce) and International (all other streams).

The reportable segments derive their revenue primarily from the sale of retail goods and gross concession sales. New Look brand & UK segments include rental income and store card income.

The Board assesses the performance of the operating segments based on revenue grossed up to include the sales of store concessions ('segmental gross transactional value') and on a measure of underlying operating profit (see definition in note 2.23). This measurement basis excludes the effects of exceptional items, share-based payments and unrealised gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 5 Segment information continued

The segment information provided to the Board for the reportable segments by brand and by geographic segment, are as follows:

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>External revenue</b>		
New Look brand		
– UK Retail	1,113.2	1,145.0
– International	138.9	127.3
Owned stores	1,252.1	1,272.3
E-commerce	52.3	37.0
Franchise	41.1	24.6
<b>Total New Look brand</b>	<b>1,345.5</b>	<b>1,333.9</b>
Mim brand		
– Owned stores	168.4	165.2
<b>Total Mim brand</b>	<b>168.4</b>	<b>165.2</b>
Segmental gross transactional value	1,513.9	1,499.1
Adjustment to state concession income on a net basis for statutory reporting purposes	(52.7)	(35.5)
<b>Total Group external revenue</b>	<b>1,461.2</b>	<b>1,463.6</b>

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>External revenue</b>		
UK	1,165.5	1,182.0
International	348.4	317.1
Segmental gross transactional value	1,513.9	1,499.1
Adjustment to state concession income on a net basis for statutory reporting purposes	(52.7)	(35.5)
<b>Total Group external revenue</b>	<b>1,461.2</b>	<b>1,463.6</b>

The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement except for the gross up of store concessions sales.

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 Reclassification £m
<b>Underlying operating profit</b>		
New Look brand		
– UK Retail	84.2	148.4
– International	(3.2)	3.4
Owned stores	81.0	151.8
E-commerce	8.1	6.3
Franchise	4.4	2.3
<b>Total New Look brand</b>	<b>93.5</b>	<b>160.4</b>
Mim brand		
– Owned stores	4.5	2.3
<b>Total Mim brand</b>	<b>4.5</b>	<b>2.3</b>
<b>Total Group underlying operating profit</b>	<b>98.0</b>	<b>162.7</b>

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 Reclassification £m
<b>Underlying operating profit</b>		
UK	92.3	154.7
International	5.7	8.0
<b>Total Group underlying operating profit</b>	<b>98.0</b>	<b>162.7</b>

Reclassification of administrative costs of £1.9 million incorrectly included in UK Retail rather than Franchise in the prior period.

Underlying operating profit is defined in note 2.23 and is reconciled to operating profit on page 49.

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>Capital expenditure</b>		
New Look brand		
– UK Retail	61.1	62.0
– International	9.5	16.3
Owned stores	70.6	78.3
E-commerce	0.6	5.6
Franchise	–	–
<b>Total New Look brand</b>	<b>71.2</b>	<b>83.9</b>
Mim brand		
– Owned stores	4.1	4.7
<b>Total Mim brand</b>	<b>4.1</b>	<b>4.7</b>
<b>Total Group capital expenditure</b>	<b>75.3</b>	<b>88.6</b>

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>Capital expenditure</b>		
UK	61.7	67.6
International	13.6	21.0
<b>Total Group capital expenditure</b>	<b>75.3</b>	<b>88.6</b>

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>Depreciation and amortisation</b>		
New Look brand		
– UK Retail	63.1	58.9
– International	12.3	10.7
Owned stores	75.4	69.6
E-commerce	1.5	–
Franchise	–	–
<b>Total New Look brand</b>	<b>76.9</b>	<b>69.6</b>
Mim brand		
– Owned stores	8.0	7.2
<b>Total Mim brand</b>	<b>8.0</b>	<b>7.2</b>
<b>Total Group depreciation and amortisation</b>	<b>84.9</b>	<b>76.8</b>

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>Depreciation and amortisation</b>		
UK	64.6	58.9
International	20.3	17.9
<b>Total Group depreciation and amortisation</b>	<b>84.9</b>	<b>76.8</b>

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 5 Segment information continued

Analyses of the Group's external revenues (by customer location) and non-current assets (excluding investments, deferred tax assets, income tax assets and other financial assets) by geographical location are detailed below:

	External revenue		Non-current assets	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m	26 March 2011 £m	27 March 2010 £m
United Kingdom	1,113.2	1,147.8	876.7	879.2
France	219.1	208.0	128.7	145.6
Rest of Europe	91.7	83.7	20.5	24.9
Middle East	22.0	16.2	–	–
Rest of World	15.2	7.9	–	–
	<b>1,461.2</b>	<b>1,463.6</b>	<b>1,025.9</b>	<b>1,049.7</b>

### 6 Revenue

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Sale of goods	1,434.5	1,444.7
Rental income	2.9	1.8
Store card arrangement fee	2.4	2.2
Franchise royalty income	1.0	1.3
Concession income (net)	20.4	13.6
<b>Revenue</b>	<b>1,461.2</b>	<b>1,463.6</b>

Included within rental income is contingent rent of £0.4 million (2010: £nil).

### 7 Operating profit

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Group operating profit is stated after charging/(crediting):		
Staff costs (note 8a)	237.8	248.7
Depreciation on tangible assets	80.8	73.4
Impairment of tangible assets	3.9	1.1
Amortisation of intangible assets	4.1	3.4
Impairment of intangible assets	1.0	–
Amortisation of lease incentives	(4.6)	(4.1)
Amortisation of lease premiums	–	1.3
Loss on disposal of tangible assets	1.2	1.5
Loss on disposal of intangible assets	0.1	–
Operating lease charges		
– Minimum lease payments	173.3	166.3
– Contingent rent payments	–	0.2
Net foreign exchange differences	2.3	(5.3)
Cost of inventories recognised as an expense through cost of sales	588.5	550.0
Write down of inventories to net realisable value through cost of sales	27.0	16.6
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the Group and parent company	0.2	0.2
Fees payable to the company's auditor and its associates for other services:		
– The audit of the company's subsidiaries pursuant to legislation	0.2	0.2
– Other services relating to taxation	0.3	0.4
– Transaction support	–	2.3
– All other services	0.2	0.3

Included in auditors' remuneration are out of pocket expenses paid to Group auditors.

## 8a Staff costs

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Wages and salaries	210.1	210.6
Social security costs	24.8	26.7
Pension costs (note 34)	1.8	1.3
	<b>236.7</b>	<b>238.6</b>
Share based payment expense (note 30)	1.1	10.1
	<b>237.8</b>	<b>248.7</b>

In addition to the above, costs relating to temporary and contract staff total £4.8 million (2010: £4.7 million).

The average monthly number of employees of the Group (including Directors) during the period is:

	For the financial periods	
	52 weeks ended 26 March 2011	52 weeks ended 27 March 2010
Administration and distribution	2,133	1,964
Retailing	21,806	20,215
	<b>23,939</b>	<b>22,179</b>

If the number of part-time hours were converted on the basis of a full working week, the equivalent average number of full-time employees would be 12,498 (2010: 11,800).

### Compensation for key management personnel

The compensation for key management personnel, including the Directors, was as follows:

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Short-term employee benefits	2.3	5.7
Compensation for loss of office	1.2	0.5
Post employment benefits	0.3	0.3
Aggregate gains made by Directors on the sale of shares	–	2.6
	<b>3.8</b>	<b>9.1</b>

Retirement benefits are accruing to three members of key management (2010: five) at the end of the period. Directors' remuneration is detailed in note 8b below.

## 8b Directors' remuneration

### (a) Historical aggregate emoluments

The Directors' emoluments table below includes aggregate emoluments of all Executive and Non-Executive Directors of New Look Retail Group Limited who provided qualifying services during the financial periods ended 26 March 2011 and 27 March 2010.

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Aggregate emoluments in respect of qualifying services	1.5	3.0
Compensation for loss of office	0.8	0.5
Company contributions paid in respect of pension schemes	0.2	0.2
Aggregate gains made by Directors on the sale of shares	–	2.6

There have been no waivers of emoluments by any of the Directors in the reporting period. No (2010: one) Director exercised share options and no (2010: two) Directors were granted shares in the period. Retirement benefits are accruing to one Director (2010: two) at the end of the period.

### (b) Directors' details

#### Directors

L Buckham, M Clarke, T Lane, A Miller, O Pinya and T Singh were Directors as at 26 March 2011.

The following Directors resigned during the period: C McPhail on 21 March 2011; J Gildersleeve on 18 March 2011; S David, C McCall and H Staunton on 12 July 2010 and M Brockman on 30 September 2010.

In the financial period ended 26 March 2011, each of the following were Executive Directors: C McPhail and A Miller (2010: C McPhail and A Miller).

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 8b Directors' remuneration continued

As representatives of Permira, M Clarke and L Buckham each have an indirect economic interest in the shares of the company held by the Permira Funds. As representatives of Apax, O Pinya and T Lane have an indirect economic interest in the shares of the company held by the Apax Funds. During the period, a monitoring fee of £150,000 (2010: £150,000) was payable to each of Apax and Permira.

For details of transactions with the Directors, including lease payments and payment-in-kind (PIK) interest, see note 35.

#### Highest paid Director

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Aggregate emoluments in respect of qualifying services	0.6	1.5
Company contributions paid in respect of pension schemes	0.1	0.1
Compensation for loss of office	0.8	–

The highest paid Director acquired a beneficial interest in shares in respect of qualifying services under a long-term incentive scheme during the prior period. No additional beneficial interest in shares were acquired during the period.

### 9 Finance income and expense

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>Finance income</b>		
Interest on bank deposits	1.0	0.8
Interest on other loans	0.2	0.4
Exchange rate gain on revaluation of Euro loans	1.5	2.2
Total finance income	2.7	3.4
<b>Finance expense</b>		
Interest on bank loans and overdrafts	99.7	99.7
Exchange rate loss on revaluation of Euro cash	1.5	1.6
Finance charge	–	0.5
Total finance expense	101.2	101.8

Included within finance expense is an amount of £nil (2010: £nil) in respect of finance income earned on interest rate derivatives put in place to hedge the effect of changes in LIBOR on the Group's floating rate debt.

### 10 Exceptional items

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Impairment loss	4.4	1.1
Review of business financing	(0.3)	9.9
Change programme	(0.5)	8.8
Onerous lease	–	(1.0)
Exceptional incentive scheme	–	3.7
	3.6	22.5

#### Impairment loss

An impairment charge has been recognised to write down tangible and intangible assets in stores to their recoverable amount as a result of a decline in trading conditions for certain stores. The recoverable amount has been calculated based on the value in use of the individual stores. The calculation of value in use is most sensitive to the following assumptions:

- Forecast operating cash flows for the remaining period of the lease which are based on approved budgets and plans;
- The rate of growth used to extrapolate cash flows and the pre-tax discount rate are disclosed in note 14.

An impairment charge in respect of the freehold building in Weymouth (note 13) was recognised as at 27 March 2010. The impairment loss arose as a result of strategic opportunities for the use of the freehold land prior to the Olympics in 2012, following the decision to relocate certain functions to London and the former distribution centre in Weymouth becoming idle.

## Review of business financing

During the period ended 27 March 2010, the Group undertook a number of investigative and preparatory steps in connection with a potential listing of shares and debt refinancing. In the financial period ended 26 March 2011 the finalisation of costs incurred led to the reversal of unutilised accruals.

## Change programme

The change programme forms part of the Group's future operating model to deliver system, process and structure changes where needed, and to ensure New Look employees are customer and brand aligned in order to achieve the Group's strategy.

The cost of £8.8 million incurred in the period to 27 March 2010 relates entirely to the relocation of commercial functions to London, ensuring New Look's Buying, Merchandising and Design functions are at the heart of London's fashion district. In the financial period ended 26 March 2011 the finalisation of costs incurred led to the reversal of unutilised accruals.

## Onerous lease

As a result of the relocation of the London head office an onerous lease provision for the future lease costs of the vacant Portman House property in London was established in the financial period ended 28 March 2009. In the financial period ended 27 March 2010 a termination fee was agreed, leading to a reversal of the unutilised provision.

## Exceptional incentive scheme

At the beginning of the financial period ended 27 March 2010 an additional one-off incentive scheme was agreed for a small number of senior managers, including the Executive Directors. The purpose of this scheme was to recognise the exceptional challenge facing management in preparing for a potential exit against the backdrop of extremely difficult economic times. These senior managers' normal bonus pays out on a sliding scale beginning when the Group's budgeted EBITDA is achieved. The additional bonus for the financial period ended 27 March 2010, which is not intended to be repeated, became payable on a sliding scale only when EBITDA exceeded the level at which full payout under the normal bonus scheme was achieved.

## 11 Taxation

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>Current tax:</b>		
UK corporation tax on profits of the period	13.0	23.4
UK prior year adjustment	(2.7)	–
Overseas tax	(0.3)	1.1
Overseas prior year adjustment	(1.2)	–
<b>Total current tax</b>	<b>8.8</b>	<b>24.5</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(7.2)	(6.6)
Impact of change in UK corporation tax rate	(1.9)	–
Adjustment in respect of prior period	3.2	(1.6)
<b>Total deferred tax</b>	<b>(5.9)</b>	<b>(8.2)</b>
<b>Income tax expense</b>	<b>2.9</b>	<b>16.3</b>

The tax on the Group's profits before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Profit before taxation	–	36.0
Tax charge on profit at standard rate of 28% (2010: 28%)	–	10.1
<b>Reasons affecting charge for the period:</b>		
Depreciation on non-qualifying assets	2.7	2.9
Expenses not deductible for tax purposes	1.6	5.0
Foreign tax charged at a different rate than UK standard rate	0.1	(0.5)
Overseas tax loss not relieved in current year	1.1	0.4
Re-measurement of deferred tax – change in the UK corporation tax rate	(1.9)	–
Adjustment to current tax charge in respect of prior periods	(3.9)	–
Adjustment to deferred tax charge in respect of prior periods	3.2	(1.6)
<b>Income tax expense</b>	<b>2.9</b>	<b>16.3</b>

The main rate of corporation tax reduced from 28% to 26% from 1 April 2011. However, as at the balance sheet date only a reduction to 27% was enacted and has therefore been applied within these financial statements. If the rate of 26% had been applied, the effect on deferred tax assets and liabilities would be a further decrease of £0.9 million and £2.8 million respectively.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 11 Taxation continued

Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements.

In addition to the amount charged to the consolidated income statement, tax movements recognised directly in equity as shown in the consolidated statements of comprehensive income and of changes in equity were as follows:

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
<b>Deferred tax:</b>		
Foreign exchange movements taken to translation reserve	0.3	0.5
Other temporary differences	3.8	(0.2)
Tax credit on items recognised directly in equity	4.1	0.3

#### Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

	As at 26 March 2011 £m	As at 27 March 2010 £m
Deferred tax asset to be recovered within 12 months	22.1	21.1
Deferred tax asset to be recovered after more than 12 months	4.9	0.7
	<b>27.0</b>	<b>21.8</b>
Deferred tax liability falling due within 12 months	–	–
Deferred tax liability falling due after more than 12 months	(89.3)	(94.1)
	<b>(89.3)</b>	<b>(94.1)</b>
	<b>(62.3)</b>	<b>(72.3)</b>

The movement in the period is as follows:

	Accelerated capital allowances £m	Brand £m	Other temporary differences £m	Total £m
At 28 March 2009	5.0	92.9	(17.1)	80.8
Charged/(credited) to income statement	1.0	–	(9.2)	(8.2)
Recognised directly in equity	–	(0.5)	0.2	(0.3)
At 27 March 2010	<b>6.0</b>	<b>92.4</b>	<b>(26.1)</b>	<b>72.3</b>
Credited to income statement	(3.0)	(2.8)	(0.1)	(5.9)
Recognised directly in equity	–	(0.3)	(3.8)	(4.1)
<b>At 26 March 2011</b>	<b>3.0</b>	<b>89.3</b>	<b>(30.0)</b>	<b>62.3</b>

There is a deferred tax asset in respect of capital losses of £1.7 million (2010: £1.4 million) that has not been recognised due to uncertainty as to whether there will be sufficient taxable profits in the future against which the asset could be utilised.

Deferred tax assets of £5.7 million (2010: £4.3 million) relating to losses in New Look Belgium, New Look Holland and New Look France have not been recognised at a Group level as there is no certainty when these losses will be relieved.

No liability has been recognised in respect of temporary differences associated with investments in subsidiaries, branches and interests in the joint venture, where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with these investments, for which a deferred tax liability has not been recognised, is £980.3 million (2010: £864.7 million).

### 12 Dividends

No dividends have been proposed, declared or paid during the periods ended 26 March 2011 or 27 March 2010.

## 13 Property, plant and equipment

	Freehold land and buildings £m	Fixtures and Equipment £m	Total £m
<b>Cost</b>			
At 28 March 2009	9.3	460.8	470.1
Exchange movement	–	(5.7)	(5.7)
Additions	1.6	87.0	88.6
Disposals	(0.1)	(4.7)	(4.8)
At 27 March 2010	10.8	537.4	548.2
Exchange movement	–	(3.5)	(3.5)
Additions	0.7	58.1	58.8
Reclassification <sup>(1)</sup>	–	(4.2)	(4.2)
Disposals	–	(7.2)	(7.2)
At 26 March 2011	11.5	580.6	592.1
<b>Accumulated depreciation</b>			
At 28 March 2009	(1.1)	(211.4)	(212.5)
Exchange movement	–	4.2	4.2
Depreciation charge	(0.1)	(73.3)	(73.4)
Impairment loss	(1.1)	–	(1.1)
Disposals	–	3.3	3.3
At 27 March 2010	(2.3)	(277.2)	(279.5)
Exchange movement	–	0.1	0.1
Depreciation charge	(0.6)	(80.2)	(80.8)
Impairment loss	–	(3.9)	(3.9)
Reclassification <sup>(1)</sup>	–	1.8	1.8
Disposals	–	5.7	5.7
At 26 March 2011	(2.9)	(353.7)	(356.6)
<b>Net book value</b>			
26 March 2011	8.6	226.9	235.5
27 March 2010	8.5	260.2	268.7

(1) In the current period there was a reclassification of additions and depreciation/amortisation between fixtures and equipment and software.

Freehold land of £5.6 million (2010: £5.6 million) is not depreciated.

Included within fixtures and equipment are assets in the course of construction of £10.0 million (2010: £9.5 million).

As at 26 March 2011, the Group has entered into contractual commitments for the acquisition of property, plant and equipment amounting to £37.8 million (2010: £25.6 million).

An impairment loss was recognised on the freehold building, excluding the freehold land, as at 27 March 2010. The recoverable amount was determined based on the value in use of the building, fixtures and equipment, applying an estimated market rent had the building not been owned; the Directors' best estimate of the useful economic life of the freehold building at 27 March 2010; that no residual value is anticipated; and a pre-tax discount rate of 12.7%. The impairment loss was recognised as an exceptional charge in the consolidated income statement in the prior period, see note 10.

In February 2011, the Group submitted an improved planning application for the redevelopment of the land on the Mercery Road, Weymouth site. The plan is for a mixed-use employment and retail site which enhances the previous application, approved in 2007. A conditional contract was exchanged on 3 September 2010 with Sainsbury's for the sale of part of the land to anchor the development. A further conditional contract was exchanged on 17 February 2011 with Whitbread for the sale of another part of the land. A final conditional contract was exchanged on 10 March 2011 with Deeley Freed (Weymouth) Limited for the development of the site to prepare the land for sale. The outcome of the planning consent submission is not expected until September 2011.

Further information can be found at [www.weymouthgateway.co.uk](http://www.weymouthgateway.co.uk).

**NEW LOOK RETAIL GROUP LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

**14 Intangible assets**

	Goodwill £m	Brands £m	Recoverable leasehold property premiums £m	Software Licences £m	Total £m
<b>Cost</b>					
At 28 March 2009	365.3	322.1	29.9	23.6	740.9
Exchange movement	–	(1.3)	(1.0)	–	(2.3)
Additions	–	–	–	8.8	8.8
Disposals	–	–	–	(3.1)	(3.1)
At 27 March 2010	365.3	320.8	28.9	29.3	744.3
Exchange movement	–	(0.9)	(0.6)	–	(1.5)
Additions	–	–	1.8	14.7	16.5
Reclassification <sup>(1)</sup>	–	–	–	4.2	4.2
Disposals	–	–	–	(0.3)	(0.3)
At 26 March 2011	365.3	319.9	30.1	47.9	763.2
<b>Accumulated amortisation and impairment</b>					
At 28 March 2009	–	–	(1.9)	(13.0)	(14.9)
Exchange movement	–	–	0.1	–	0.1
Amortisation charge	–	–	(0.4)	(3.0)	(3.4)
Disposals	–	–	–	3.1	3.1
At 27 March 2010	–	–	(2.2)	(12.9)	(15.1)
Exchange movement	–	–	–	–	–
Amortisation charge	–	–	–	(4.1)	(4.1)
Impairment loss	–	–	(1.0)	–	(1.0)
Reclassification <sup>(1)</sup>	–	–	–	(1.8)	(1.8)
Disposals	–	–	–	0.2	0.2
At 26 March 2011	–	–	(3.2)	(18.6)	(21.8)
<b>Net book value</b>					
<b>At 26 March 2011</b>	<b>365.3</b>	<b>319.9</b>	<b>26.9</b>	<b>29.3</b>	<b>741.4</b>
At 27 March 2010	365.3	320.8	26.7	16.4	729.2

(1) In the current period there was a reclassification of additions and depreciation/amortisation between fixtures and equipment and software.

As at 26 March 2011, the Group has entered into contractual commitments for the acquisition of software amounting to £4.1 million (2010: £0.9 million).

The lowest CGUs within the Group are individual stores, however for the purpose of intangible impairment review, the lowest group of CGUs are the country sub-groups of the Group's brands, which is in line with internal management reporting. Brands, lease premiums and software licences have been allocated between these groups. Goodwill arising from business combinations is all allocated to the UK.

Brands include the New Look and Mim brands acquired through business combinations. Fair value was established by independent valuers and was based on the relief from royalty method. The Group is committed to the continuing development of these brands and has concluded that they have indefinite useful lives.

Certain premiums paid on acquisition of short leasehold property in mainland Europe are expected to be recoverable from subsequent tenants. Recoverable leasehold property premiums are pledged as security for the related lease rental liabilities. To support the recoverable amount, independent third party valuations were obtained on the premiums paid resulting in an impairment loss of £1.0 million (2010: £nil).

The value in use of relevant groups of CGUs for impairment testing purposes have been determined based on calculations using cash flow projections from the financial plans approved by the Board covering a five-year period from the balance sheet date.

The calculation of value in use is most sensitive to the following assumptions:

- The forecast operating cash flows for the next five years are based on approved budgets and plans. These budgets and plans are based on past performance and expectations for the market development of the relevant groups of CGUs;
- An estimate of the long-term effective tax rate for the CGU; and
- The rate of growth used to extrapolate cash flows beyond the five-year plan period is 2.0% per annum (2010: 2.0%). This growth rate is based on published estimates of the long-term growth in Gross Domestic Product in the respective CGUs and inflation.

For the New Look brand, the resulting cash flows were discounted using a pre tax discount rate of 11.9% (2010: 12.7%). For the Mim brand, the resulting cash flows were discounted using a pre tax discount rate of 12.9% (2010: 12.2%). These rates reflect management's estimate of the cost of capital for the business.

Management does not believe that any reasonable change in any of the above key assumptions would cause the carrying value of goodwill or the New Look brand to exceed their recoverable amounts.

**Sensitivity to changes in assumptions**

With regard to the assessment of the value in use of the Mim brand, management does not believe that any reasonable change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. The recoverable amount exceeds the carrying amount by £49.3 million (2010: £17.2 million).

## 15 Investment in joint venture

The Group has a 50% interest in NLT Tekstil Sanayi Ve Ticaret Limited Sirketi, a jointly controlled entity incorporated in Turkey, which sources product on behalf of the Group.

The Group's share of the assets, liabilities, revenue and expenses of the jointly controlled entity are as follows:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Share of the joint venture's balance sheet		
Non-current assets	–	–
Current assets	3.3	3.2
Current liabilities	(2.3)	(2.3)
Non-current liabilities	(0.1)	(0.1)
Share of net assets	0.9	0.8
Loan to joint venture	0.8	0.8
<b>Total investment in joint venture</b>	<b>1.7</b>	<b>1.6</b>

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Share of the joint venture's result		
Revenue	9.6	9.6
Cost of sales	(8.8)	(8.1)
Administrative expenses	(0.7)	(1.1)
Profit before taxation	0.1	0.4
Taxation	–	–
<b>Profit for the period</b>	<b>0.1</b>	<b>0.4</b>

The share capital of the joint venture is 3,040,000 YTLs (being equivalent of £1,272,020 at a conversion rate of 2.39 YTLs to each Pound Sterling) divided into 121,600 shares of 25 YTLs each. New Look Retailers Limited and Global Tekstil Danismanlik Sanayi Ve Ticaret Limited Sirketi each own 60,800 shares in the company.

There is no recourse to Group companies in respect of the borrowings of the joint venture and there are no commitments or contingent liabilities at the year end.

## 16 Available for sale financial assets

	As at 26 March 2011 £m	As at 27 March 2010 £m
Unlisted investments available for sale	0.3	0.3

The investments included above are investments in unlisted equity securities which are carried at cost being fair value at inception. The investments continue to be carried at cost since they do not have a quoted price in an active market nor a fair value which can be reliably measured. The investments have no maturity or coupon rate and are denominated in Euros.

There were no disposals or impairment provisions on available for sale financial assets in any of the periods.

## 17 Inventories

	As at 26 March 2011 £m	As at 27 March 2010 £m
Raw materials and work in progress	2.4	1.7
Finished goods	147.1	124.6
	<b>149.5</b>	<b>126.3</b>

Inventories with a value of £2.8 million (2010: £1.7 million) are carried at fair value less costs to sell, this being lower than cost. Cost of inventories recognised as an expense and any write downs of inventory are disclosed in note 7.

**NEW LOOK RETAIL GROUP LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

**18 Trade and other receivables**

	As at 26 March 2011 £m	As at 27 March 2010 £m
<b>Current</b>		
Trade receivables	11.0	9.3
Other receivables	7.6	18.0
Prepayments	45.7	42.2
Accrued income	0.6	2.7
	<b>64.9</b>	<b>72.2</b>
<b>Non-current</b>		
Other receivables	11.9	6.7
Prepayments	37.1	45.1
	<b>49.0</b>	<b>51.8</b>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Sterling	83.8	90.8
Euro	29.6	32.8
US dollar	0.2	0.4
Rubles	0.3	–
	<b>113.9</b>	<b>124.0</b>

Included within the trade and other receivables balance is a bad debt provision for £1.5 million (2010: £1.2 million). There was a bad debt charge in the income statement of £0.6 million (2010: £1.1 million).

As at 26 March 2011, trade and other receivables of £28.9 million (2010: £20.2 million) were fully performing.

As at 26 March 2011, trade and other receivables of £0.7 million (2010: £7.6 million) were past due but not classed as impaired.

The ageing analysis of these is as follows:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Up to 2 months	0.7	4.7
2 to 6 months	–	2.9
	<b>0.7</b>	<b>7.6</b>

As of 26 March 2011, trade and other receivables of £2.4 million (2010: £1.7 million) were impaired and £1.5 million (2010: £1.2 million) were provided for. The ageing of these receivables is as follows:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Up to 2 months	0.8	0.1
2 to 6 months	1.6	1.1
	<b>2.4</b>	<b>1.2</b>

Movements on the Group provision for impairment of trade receivables are as follows:

	As at 26 March 2011 £m	As at 27 March 2010 £m
At start of period	1.2	0.5
Provisions for receivables impairment	0.6	1.1
Receivables written off during the period	(0.3)	(0.4)
	<b>1.5</b>	<b>1.2</b>

The creation and release of the provision for impaired receivables has been included in administrative expenses. Amounts charged to the bad debt provisions are generally written off when there is no expectation of recovering additional cash. Subsequent recoveries of amounts previously written off are credited against administrative expenses. The other classes within trade and other receivables do not contain impaired assets.

The Group maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

## 19 Derivative financial instrument assets

	As at 26 March 2011 £m	As at 27 March 2010 £m
<b>Current assets</b>		
Foreign currency contracts	1.0	16.1
Interest rate swaps	–	0.3
Embedded foreign exchange derivatives	0.6	–
	<b>1.6</b>	<b>16.4</b>

Foreign currency contracts comprise forward contracts and options which are used to hedge exchange risk arising from the Group's overseas purchases. The instruments purchased are denominated in US dollars.

The interest rate swap agreements and foreign currency contracts are referred to within note 25.

Embedded foreign exchange derivatives arise within outstanding purchase orders, which are in currencies other than the functional currencies of the contracting parties.

## 20 Cash and cash equivalents

	As at 26 March 2011 £m	As at 27 March 2010 £m
Cash at bank and in hand	41.1	39.2
Short-term deposits	148.7	167.1
Blocked cash	1.6	–
	<b>191.4</b>	<b>206.3</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months depending on the cash requirements of the Group, and earn interest at market short-term deposit rates. Blocked cash relates to amounts held as guarantees over leases in mainland Europe.

## 21 Trade and other payables

	As at 26 March 2011 £m	As at 27 March 2010 £m
<b>Current</b>		
Trade payables	138.8	97.3
Other taxation and social security	18.2	24.0
Other payables	15.5	26.2
Accruals	74.9	107.5
Interest accrual	2.3	2.1
Deferred income	19.6	23.0
Liability for cash settled share based payments	1.6	7.4
	<b>270.9</b>	<b>287.5</b>
<b>Non-current</b>		
Liability for cash settled share based payments	0.3	0.1
Other taxation and social security	0.4	–
Other payables	5.0	–
Deferred income	93.3	85.2
	<b>99.0</b>	<b>85.3</b>

Trade payables, other payables and accruals are non interest-bearing. Trade payables are normally settled on either 60 or 75 day terms. Included in accruals is £28.5 million (2010: £36.9 million) relating to inventory.

## 22 Financial liabilities

	As at 26 March 2011 £m	As at 27 March 2010 £m
<b>Current</b>		
Bank loans	25.2	39.8
	<b>25.2</b>	<b>39.8</b>
<b>Non-current</b>		
Bank loans	585.7	608.4
PIK debt	650.6	591.4
	<b>1,236.3</b>	<b>1,199.8</b>

Further disclosure in respect of loans is provided in note 27.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 23 Derivative financial instrument liabilities

	As at 26 March 2011 £m	As at 27 March 2010 £m
<b>Current liabilities</b>		
Foreign currency contracts	3.3	–
Interest rate swaps	7.3	10.1
Embedded foreign exchange derivatives	–	1.2
	<b>10.6</b>	<b>11.3</b>
<b>Non-current liabilities</b>		
Interest rate swaps	2.8	8.5
	<b>2.8</b>	<b>8.5</b>

Foreign currency contracts comprise forward contracts and options which are used to hedge exchange risk arising from the Group's overseas purchases. The instruments purchased are denominated in US dollars.

The interest rate swap agreements and foreign currency contracts are referred to within note 25.

Embedded foreign exchange derivatives arise within outstanding purchase orders, which are in currencies other than the functional currencies of the contracting parties.

### 24 Financial instruments

#### Fair values

The fair values of each category of the Group's financial assets/liabilities and their carrying values in the Group's balance sheet, excluding short-term receivables and payables, are as follows:

	As at 26 March 2011 Carrying amount and fair value £m	As at 27 March 2010 Carrying amount and fair value £m
<b>Financial assets</b>		
Cash and short-term deposits	191.4	206.3
Foreign currency contracts	1.0	16.1
Interest rate swaps	–	0.3
Available for sale financial assets	0.3	0.3
Embedded foreign exchange derivatives	0.6	–
<b>Financial liabilities</b>		
Bank loans	610.9	648.2
PIK debt	650.6	591.4
Foreign currency contracts	3.3	–
Interest rate swaps	10.1	18.6
Embedded foreign exchange derivatives	–	1.2

The fair values of derivatives and borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates, and are based on market prices at the balance sheet date.

The fair value of the £1,261.5 million (2010: £1,239.6 million) loan approximates to its carrying value as the interest rate on the floating rate loan is based on prevailing LIBOR rates.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The total notional amount of outstanding foreign currency and interest rate contracts to which the Group was committed at the balance sheet date is as follows:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Notional amount of outstanding foreign currency contracts	324.0	161.9
Notional amount of outstanding interest rate swaps and cap	300.0	525.0

The foreign currency contracts have expiry terms of between 1 and 15 months (2010: 1 and 11 months). The interest rate swap contracts have expiry terms of between 1 and 39 months (2010: 1 and 32 months).

## Category

The accounting policies for financial instruments have been applied to the line items below:

Assets per balance sheet	Loans and receivables £m	Assets at fair value through income statement £m	Derivatives used for hedging £m	Available for sale £m	Total £m
At 26 March 2011					
Available for sale financial assets	–	–	–	0.3	0.3
Derivative financial instruments	–	0.6	1.0	–	1.6
Trade and other receivables (excluding prepayments)	31.1	–	–	–	31.1
Cash and short-term deposits	191.4	–	–	–	191.4
	222.5	0.6	1.0	0.3	224.4

Liabilities per balance sheet	Liabilities at fair value through income statement £m	Derivatives used for hedging £m	Other financial liabilities at amortised cost £m	Total £m
At 26 March 2011				
Borrowings	–	–	1,261.5	1,261.5
Derivative financial instruments	–	13.4	–	13.4
Trade and other payables (excluding deferred income)	–	–	257.0	257.0
	–	13.4	1,518.5	1,531.9

Assets per balance sheet	Loans and receivables £m	Assets at fair value through income statement £m	Derivatives used for hedging £m	Available for sale £m	Total £m
At 27 March 2010					
Available for sale financial assets	–	–	–	0.3	0.3
Derivative financial instruments	–	–	16.4	–	16.4
Trade and other receivables (excluding prepayments)	36.7	–	–	–	36.7
Cash and short-term deposits	206.3	–	–	–	206.3
	243.0	–	16.4	0.3	259.7

Liabilities per balance sheet	Liabilities at fair value through income statement £m	Derivatives used for hedging £m	Other financial liabilities at amortised cost £m	Total £m
At 27 March 2010				
Borrowings	–	–	1,239.6	1,239.6
Derivative financial instruments	1.2	18.6	–	19.8
Trade and other payables (excluding deferred income)	–	–	264.6	264.6
	1.2	18.6	1,504.2	1,524.0

The following table presents the Group's assets and liabilities that are measured at fair value at 26 March 2011.

Assets	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Foreign currency contracts	–	1.0	–	1.0
Embedded foreign exchange derivatives	–	0.6	–	0.6
<b>Total assets</b>	–	1.6	–	1.6
<b>Liabilities</b>				
Interest rate swaps	–	10.1	–	10.1
Foreign currency contracts	–	3.3	–	3.3
<b>Total liabilities</b>	–	13.4	–	13.4

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 24 Financial instruments continued

The following table presents the Group's assets and liabilities that are measured at fair value at 27 March 2010.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Foreign currency contracts	–	16.1	–	16.1
Interest rate swaps	–	0.3	–	0.3
<b>Total assets</b>	<b>–</b>	<b>16.4</b>	<b>–</b>	<b>16.4</b>
<b>Liabilities</b>				
Interest rate swaps	–	18.6	–	18.6
Embedded foreign exchange derivatives	–	1.2	–	1.2
<b>Total liabilities</b>	<b>–</b>	<b>19.8</b>	<b>–</b>	<b>19.8</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

#### Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	As at 26 March 2011 £m	As at 27 March 2010 £m
<b>Trade Receivables</b>		
Counterparties without external credit rating		
Group 1	0.7	–
Group 2	–	–
Group 3	10.3	9.3
<b>Total trade receivables</b>	<b>11.0</b>	<b>9.3</b>

Group 1 – new customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past

The Group limits its exposure to financial institutions by setting credit limits based on their credit ratings and generally only with counterparties with a Fitch's credit rating of at least 'A'. Group treasury monitors counterparty credit ratings closely, adjusting limits and balances immediately following counterparty downgrades. At 26 March 2011, the Group had £189.8 million of cash and cash equivalents (2010: £206.3m) held with institutions rated 'A' or above and £1.6 million (2010: £nil) held within institutions rated 'BBB', with a combined credit limit of £295.0 million (2010: £295.0 million).

The Group limits its exposure with its counterparties to derivative financial instruments by engaging with counterparties with a Fitch credit rating of 'A' or above. At 26 March 2011, the Group had derivative financial assets of £1.6 million (2010: £16.4 million) with counterparties rated 'A' or above.

## Maturity

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<1 year £m	1-2 years £m	2-5 years £m	5+ years £m
<b>At 26 March 2011</b>				
Borrowings	25.2	122.7	1,113.6	–
Derivative financial instruments	7.2	2.7	(1.0)	–
Trade and other payables	251.3	5.7	–	–
<b>At 27 March 2010</b>				
Borrowings	39.8	25.3	511.7	662.8
Derivative financial instruments	9.9	5.5	1.4	–
Trade and other payables	264.5	0.1	–	–

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<1 year £m	1-2 years £m	2-5 years £m	5+ years £m
<b>At 26 March 2011</b>				
Forward foreign exchange contracts – cash flow hedges				
Outflow	302.5	24.8	–	–
Inflow	300.0	25.1	–	–
<b>At 27 March 2010</b>				
Forward foreign exchange contracts – cash flow hedges				
Outflow	161.9	–	–	–
Inflow	178.4	–	–	–

## Embedded foreign exchange derivatives

At 26 March 2011, the Group had embedded foreign exchange derivatives comprising outstanding purchase orders which are in currencies other than the functional currencies of the contracting parties. Exceptions to this are where a non-functional currency is commonly used in the country of a contracting party. The fair values of the embedded foreign exchange derivatives under IAS 39 are as follows:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Fair value of embedded foreign exchange derivatives	0.6	(1.2)

## 25 Hedging activities

### Foreign currency contracts

The Group uses derivatives in order to manage foreign currency exchange risk arising on expected future purchases of overseas sourced products. These derivatives comprise forward currency contracts and currency options, the terms of which have been negotiated to match the terms of the expected purchases.

The fair values of derivatives are as follows:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Fair value of hedging instruments, qualifying for hedge accounting	(2.3)	14.9
Fair value of hedging instruments, not qualifying for hedge accounting	–	1.2
	(2.3)	16.1

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 25 Hedging activities continued

#### Interest rate swaps

At 26 March 2011, the Group had entered into interest rate swap and cap agreements of £300.0 million (2010: £525.0 million) as partial cash flow hedges of the interest rate risk associated with the drawn down bank loans of the Group of £1,261.5 million (2010: £1,239.6 million). The Group pays fixed rates on the swap agreements of between 2.25% to 5.51% (2010: 0.77% to 5.51%). The interest rate swap expiry dates are between October 2011 and June 2014. The fair values of the interest rate swaps are as follows:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Fair value of interest rate swaps, qualifying for hedge accounting	(10.1)	(18.1)
Fair value of interest rate swaps, not qualifying for hedge accounting	–	(0.2)
	<b>(10.1)</b>	<b>(18.3)</b>

#### Movement in fair values

	Foreign currency contracts £m	Interest rate swaps £m	Embedded derivatives £m	Total £m
Fair value at 28 March 2009	18.7	(26.1)	(0.1)	(7.5)
Fair value gain/(loss) through income statement	–	5.0	(1.1)	3.9
Fair value (loss)/gain to reserves	(2.6)	2.8	–	0.2
Fair value at 27 March 2010	16.1	(18.3)	(1.2)	(3.4)
Fair value gain through income statement	<b>0.8</b>	<b>2.5</b>	<b>1.8</b>	<b>5.1</b>
Fair value (loss)/gain to reserves	<b>(19.2)</b>	<b>5.7</b>	–	<b>(13.5)</b>
Fair value at 26 March 2011	<b>(2.3)</b>	<b>(10.1)</b>	<b>0.6</b>	<b>(11.8)</b>

The fair value loss (2010: gain) to reserves comprises a £6.2 million gain (2010: £0.6 million loss) removed from equity and included in operating profit during the period, and a net £7.3 million loss (2010: £0.4 million loss) recognised in equity during the period.

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to a gain of £3.3 million (2010: £5.0 million gain).

The embedded derivatives are referred to within note 24.

### 26 Analysis of net debt

	27 March 2010 £m	Cashflow £m	Non-cash changes £m	26 March 2011 £m
Cash and cash equivalents	206.3	(13.4)	(1.5)	<b>191.4</b>
Bank loans	(648.2)	39.9	(2.6)	<b>(610.9)</b>
PIK debt	(591.4)	–	(59.2)	<b>(650.6)</b>
Total net debt	(1,033.3)	26.5	(63.3)	<b>(1,070.1)</b>

	28 March 2009 £m	Cashflow £m	Non-cash changes £m	27 March 2010 £m
Cash and cash equivalents	161.1	47.8	(2.6)	206.3
Bank loans	(686.4)	39.8	(1.6)	(648.2)
PIK debt	(537.7)	–	(53.7)	(591.4)
Total net debt	(1,063.0)	87.6	(57.9)	(1,033.3)

Included in non-cash changes are £4.1 million (2010: £3.8 million) deferred interest rolled over to the carrying value of the mezzanine debt, £59.2 million (2010: £53.7 million) deferred interest rolled over to the carrying value of the PIK loan, and £1.5 million (2010: £2.2 million) Euro loan revaluation gains.

## 27 Interest rate risk and liquidity risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

Period ended 26 March 2011

### Floating rate

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Cash assets	191.4	–	–	–	–	–	191.4
Mezzanine debt	–	–	–	–	(75.5)	–	(75.5)
Senior term debt – Tranche A1	(17.7)	(8.9)	–	–	–	–	(26.6)
Senior term debt – Tranche A2	(7.5)	(3.7)	–	–	–	–	(11.2)
Senior term debt – Tranche B1	–	(82.1)	(82.2)	–	–	–	(164.3)
Senior term debt – Tranche B2	–	(16.6)	(16.5)	–	–	–	(33.1)
Senior term debt – Tranche B3	–	(11.4)	(11.4)	–	–	–	(22.8)
Senior term debt – Tranche C1	–	–	(82.1)	(82.1)	–	–	(164.2)
Senior term debt – Tranche C2	–	–	(16.6)	(16.6)	–	–	(33.2)
Senior term debt – Tranche D	–	–	–	(80.0)	–	–	(80.0)
PIK debt	–	–	–	–	(650.6)	–	(650.6)
	166.2	(122.7)	(208.8)	(178.7)	(726.1)	–	(1,070.1)

Period ended 27 March 2010

### Floating rate

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Cash assets	206.3	–	–	–	–	–	206.3
Mezzanine debt	–	–	–	–	–	(71.4)	(71.4)
Senior term debt – Tranche A1	(32.3)	(17.8)	(8.9)	–	–	–	(59.0)
Senior term debt – Tranche A2	(7.5)	(7.5)	(3.7)	–	–	–	(18.7)
Senior term debt – Tranche B1	–	–	(82.1)	(82.2)	–	–	(164.3)
Senior term debt – Tranche B2	–	–	(16.9)	(17.0)	–	–	(33.9)
Senior term debt – Tranche B3	–	–	(11.4)	(11.4)	–	–	(22.8)
Senior term debt – Tranche C1	–	–	–	(82.1)	(82.1)	–	(164.2)
Senior term debt – Tranche C2	–	–	–	(16.9)	(17.0)	–	(33.9)
Senior term debt – Tranche D	–	–	–	–	(80.0)	–	(80.0)
PIK debt	–	–	–	–	–	(591.4)	(591.4)
	166.5	(25.3)	(123.0)	(209.6)	(179.1)	(662.8)	(1,033.3)

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Senior term debt tranches B2 and C2 are denominated in Euros and converted at the period end rate of 1.137 (2010: 1.112).

## Borrowing facilities

The Group has the following undrawn committed facilities available:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Expiring within one year	5.0	5.0
Expiring in more than one year	50.0	50.0

The facilities expiring within one year are annual facilities subject to an annual review. All facilities incur commitment fees at market rates and would provide funding at floating rates. Of the facility expiring in more than one year, £50.0 million relates to a revolving credit facility which has a final maturity date of 31 July 2012. £nil of this facility was drawn at 26 March 2011 (2010: £nil). The Group's subsidiaries are party to a cross guarantee on the revolving credit facility.

In addition, the Group has arrangements in place with certain banks to provide standby letters of credit to the Group's suppliers. Letters of credit of £59.0 million (2010: £35.7m) were outstanding under these arrangements.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 27 Interest rate risk and liquidity risk continued

#### Interest bearing loans and borrowings

Mezzanine debt, senior term debt and other borrowings under the available ancillary facilities are secured on the assets of the Group and are subject to a Priority Agreement. Under this agreement, senior term debt and borrowings under the available ancillary facilities rank pari passu. The mezzanine debt ranks subordinate to the senior term debt and to borrowings under the available ancillary facilities. The PIK loan is unsecured and has a final maturity date of 30 November 2015.

Borrowings under the mezzanine debt, senior term debt and the available ancillary facilities are at prevailing floating rates of interest based upon short-term inter-bank rates (GBP LIBOR and EURIBOR for the interest period selected at the Group's discretion). Commitment fees are payable in respect of the undrawn amount of committed facilities.

The senior term debt, mezzanine debt and PIK loan are subject to quarterly covenant reporting.

Margins over GBP LIBOR and EURIBOR, applying to the senior term debt on all B tranches and C tranches are fixed and range from 2.75% to 3.25%. The margin applying to senior term debt tranche A and to available committed revolving facilities is subject to a ratchet mechanism whereby it varies from 1.5% to 2.25% subject to the financial performance of the Group (margin applying at 26 March 2011 was 1.5% (2010: 1.5%)). The margin applying to the mezzanine debt is fixed at 10.0% of which 4.5% is settled in cash and 5.5% is capitalised at the end of each interest period. The margin applying to the PIK loan is 9.0% subject to a margin adjustment linked to the consolidated EBITDA of Trinitybrook Limited and its subsidiaries.

The Group's management of interest rate risk, credit and market risk is explained in note 3.

### 28 Provisions

	Relocation provisions £m	Onerous Lease provisions £m	Total £m
At 28 March 2009	1.6	20.6	22.2
Arising during the period	1.5	13.1	14.6
Utilised	(1.0)	(7.6)	(8.6)
Reversal of unused amounts	(0.1)	(4.2)	(4.3)
At 27 March 2010	2.0	21.9	23.9
Arising during the period	–	10.2	10.2
Utilised	(0.8)	(12.4)	(13.2)
Reversal of unused amounts	(1.0)	(2.9)	(3.9)
At 26 March 2011	0.2	16.8	17.0

	As at 26 March 2011 £m	As at 27 March 2010 £m
Current	5.7	10.5
Non-current	11.3	13.4
	17.0	23.9

#### Onerous lease provisions

The provision mainly relates to future lease costs of vacant properties for the remaining period of the lease, net of expected sub-letting income, and is estimated to be used over one to 24 months. The remaining balance comprises dilapidations provisions of £2.0 million (2010: £1.8 million) which are expected to be utilised over one to 24 months.

#### Relocation provisions

The charge to the consolidated income statement for relocation costs is explained in note 10. The majority of the relocation provision relates to redundancies and related costs, which are expected to be utilised over the period to 24 March 2012.

## 29 Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases where the Group is the lessee:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Not later than one year	185.3	176.8
Later than one year and not later than five years	696.7	674.3
Later than five years	885.9	923.8
	<b>1,767.9</b>	<b>1,774.9</b>

The Group has entered into operating leases in respect of warehouses, offices and retail stores. Contingent rentals are payable on certain retail store leases based on store revenues.

At the balance sheet date, total future payments expected to be received under non-cancellable sub-leases were £5.7 million (2010: £6.5 million).

## 30 Share based payments Senior Management Scheme

In April 2004, the senior management of the Group were invited to invest in the shares of the three Guernsey companies which comprised the holding companies of Trinitybrook Limited (the ultimate holding company of the Group at that time), being NL Company No. 1 Limited, NL Company No. 2 Limited and NL Company No. 3 Limited. These shares were purchased at fair value.

As part of the Group reorganisation and share for share exchange in June 2006, the shares held by employees in the three Guernsey companies, NL Company No. 1 Limited, NL Company No. 2 Limited, and NL Company No. 3 Limited and the ESOP1 holding in Trinitybrook Limited were exchanged for shares in New Look Retail Group Limited.

All of the shares held were originally issued at fair value determined by reference to the market value of a basket of comparator companies. Under the reorganisation a cash payment of £48.0m was paid by Pedalgreen Limited (an immediate subsidiary company of New Look Retail Group Limited) to investors within the scope of IFRS 2, in consideration for the sale of a proportion of the shares in Guernsey 4 Limited (the holding company of the Group prior to the reorganisation in 2006) and the remaining shares were exchanged for shares in Pedalgreen Limited. Guernsey 4 Limited acquired its holding in the Group on 1 June 2006 by acquiring all the shares in NL Company No. 1 Limited, NL Company No. 2 Limited and NL Company No. 3 Limited. There was then a share for share exchange as part of which shares in Pedalgreen Limited were exchanged for shares in New Look Retail Group Limited. Accordingly the reorganisation was accounted for as a modification of an equity settled arrangement under IFRS 2. The £48.0 million was charged directly to the retained earnings reserve.

	As at 26 March 2011 Number 000s	As at 27 March 2010 Number 000s
Shares in issue at the beginning of the period	72,300	84,500
Shares purchased by ESOP from senior management in the period	(13,368)	(12,200)
Shares in issue at the end of the period	<b>58,932</b>	<b>72,300</b>

## The 2004 Share Scheme and the 2008 Share Plan

In May 2004, under a new arrangement, Trinitybrook Limited loaned funds to ESOP1. ESOP1 then subscribed to Trinitybrook Limited to acquire a fixed allocation of shares. Between May 2004 and February 2006, certain employees were invited to acquire beneficial ownership of these shares at fair value determined by reference to the market value of a basket of comparator companies. As a result of the Group reorganisation in 2006, employees now hold the beneficial interest in shares in New Look Retail Group Limited.

In April 2009 and in August 2009, certain employees were invited to acquire the beneficial interest in shares owned by ESOP1 at fair value determined by reference to the market value of a basket of comparator companies (the 2008 Share Plan).

These shares vest over a 4-year period. Under the first tranche, 20.0% vested on 30 April 2009, then 20.0% on 18 September 2009 and 20.0% on each anniversary of 18 September until the third anniversary. Under the second tranche, 20.0% vested on 21 August 2009 and 20.0% on each anniversary from the grant date until the fourth anniversary.

Vesting affects the price at which the employee may be required to sell any shares which have not vested upon ceasing to be employed within the Group. The employee is generally not free to sell the shares until either a change in control of the Group or (subject to the vesting conditions) a listing.

The Group has issued shares to ESOP2 for the purposes of meeting the liabilities in respect of phantom options under the Phantom Plan granted to certain employees in France who, for French legal reasons, are unable to acquire shares in New Look Retail Group Limited.

Under the 2008 Share Plan, shares have vested at various times throughout the year. The weighted average share price at vesting for all grants throughout the period was 38.0p (2010: 25.0p).

Until June 2007, the 2004 Share Scheme operated as an equity settled arrangement under which employees could be required to sell their shares in the event of a sale or listing of the Group. In June 2007, an amendment was introduced such that, in the event of a sale, the employees would be required to sell their shares but, in the event of a listing of the Group, they would remain entitled to their shares. The 2008 Share Plan contains similar features. The 2008 Share Plan also protects the employee from a fall in the value of New Look Retail Group Limited's shares. The 2008 Share Plan is therefore accounted for, in substance, as a share option arrangement.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 30 Share based payments continued

Details of the 2008 Share Plan share options outstanding during the period are as follows:

	March 2010 – March 2011 Number of share options 000s	March 2009 – March 2010 Number of share options 000s
Outstanding at the beginning of the period	49,221	–
Granted in the period	–	51,983
Exercised in the period	–	–
Lapsed in the period	–	–
Forfeited in the period	(14,074)	(2,762)
Outstanding at the end of the period	35,147	49,221
Exercisable at the end of the period	–	–
Weighted average remaining contractual life (months)	25 months	19 months
Weighted average share price at the date of exercise (pence)	–	–
Weighted average exercise price (pence)	25.0p	25.0p
Market value at period end (pence)	6.0p	38.0p
Highest market value (pence)	38.0p	38.0p
Lowest market value (pence)	6.0p	25.0p

### 2006 Option Plan

In June 2006 and other times subsequently, key personnel in the Group were offered the opportunity to participate in the 2006 Option Plan. Share options are awarded to employees at the discretion of the Board. Options will normally vest after two years if an employee remains in service. Options will only vest before the two years continuous service when there has been a flotation or change of control in New Look Retail Group Limited (or its holding company), or when the employee leaves the Group as a result of redundancy, injury/illness/disability, or death.

Options may normally only be exercised during a period of eight years commencing on the second anniversary of the date of grant of the option, as long as the employee remains in service. At 26 March 2011, 5,398,875 (2010: 12,909,188) options were outstanding, with the earliest exercise date being 30 June 2008, assuming that the full vesting period is satisfied.

Details of the 2006 Option Plan share options outstanding during the period are as follows:

	March 2010 – March 2011 Number of share options 000s	March 2009 – March 2010 Number of share options 000s
Outstanding at the beginning of the period	12,909	5,480
Granted in the period <sup>(1)</sup>	1,149	8,239
Exercised in the period	(1,340)	(735)
Lapsed in the period	(7,270)	–
Forfeited in the period	(50)	(75)
Outstanding at the end of the period	5,398	12,909
Exercisable at the end of the period	3,280	4,670
Weighted average remaining contractual life (months)	82 months	37 months
Weighted average share price at the date of exercise (pence)	37.6p	26.9p
Weighted average exercise price (pence)	23.0p	13.0p
Market value at period end (pence)	6.0p	38.0p
Highest market value (pence)	38.0p	38.0p
Lowest market value (pence)	6.0p	25.0p

(1) Of the options granted – under the 2006 Option Plan – in the period ended 27 March 2010, 7,269,738 options (granted on 21 January 2010) lapsed on 1 July 2010 as no listing had occurred. The remaining 969,450 (granted on 23 February 2010) have a 21 month vesting period and will not vest earlier in the event of a listing during the intervening period.

### Fair value of equity-settled share based payment schemes

The cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and the expense is spread to the estimated date of a change of control of the Group.

As the employees acquired the beneficial interest in their shares at fair value under the Senior Management Scheme and the 2004 Share Scheme, there is no charge to the income statement for these equity settled transactions.

The weighted average fair value of the share options granted under the 2006 Option Plan and the 2008 Share Plan was calculated at the date of grant using the Black-Scholes option pricing model. The following table lists the inputs to the model used for the two plans for the periods ended 26 March 2011 and 27 March 2010:

	26 March 2011 2006 Option Plan	26 March 2011 2008 Share Plan	27 March 2010 2006 Option Plan	27 March 2010 2008 Share Plan
Weighted average fair value (pence)	14.40	8.47	11.27	9.04
Weighted average share price (pence)	38.00	24.00	38.00	31.50
Exercise price (pence)	38.00	25.00	38.00	25.00
Expected volatility (%)	49.10	38.5 to 43.4	54.50	45.5 to 60.4
Expected life of option (years)	3.10	2.00 to 4.00	1.75 to 2.00	1.00 to 4.00
Dividend yield (%)	0.00	0.00 to 2.00	1.20 to 1.40	0.00 to 2.10
Risk-free interest rate (%)	4.25	3.38 to 4.50	3.25	3.75 to 5.25

Expected share price volatility was determined through the assessment of the historical volatility of a comparable group of companies over a period consistent with the expected life of the award. It is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the options is based on management's estimated date of a change of control of the Group and is not necessarily indicative of exercise patterns that may occur.

The table below reconciles the total number of unallocated shares controlled by the ESOPs for all share schemes operated by the Group for each period end.

	As at 26 March 2011 Number 000s	As at 27 March 2010 Number 000s
Shares controlled by the ESOPs at the beginning of the period	7,369	46,773
Shares allocated under 2006 Option Plan	(1,149)	(8,239)
Shares allocated under 2008 Share Plan	–	(51,983)
Share options exercised in 2006 Option Plan	1,340	735
Shares repurchased from 2006 Option Plan	7,320	75
Shares purchased from Senior Management Scheme	13,368	12,200
New shares issued during the period (note 31)	–	2,617
Shares purchased by the ESOPs in the period	17,717	5,191
Shares controlled by the ESOPs at the end of the period	45,965	7,369

Share based payments also include a cash settled element for 'Good Leavers'. The income statement is charged with the change in fair value relating to the estimate at the balance sheet date of the number of 'Good Leavers' likely to arise before any change in control of the Group.

Amendments were made to the scheme rules during the prior year that clarified what will happen to all awards in the event of a listing. One amendment introduced lock-in arrangements for senior management in the event of a listing. These lock-in arrangements lapsed on 1 July 2010 as no listing had occurred. There was no change to the fair value of these awards as a result of these amendments.

## Effect on financial statements

The effect of accounting for share based payments, in accordance with IFRS 2, on the Group's profit before taxation for the periods is as follows:

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Equity settled share based payment schemes	(0.1)	1.5
Cash settled share based payment schemes <sup>(1)</sup>	1.2	8.6
<b>Total share based payment expense</b>	<b>1.1</b>	<b>10.1</b>

(1) The charge for the period ended 27 March 2010 includes £5.8 million of deferred settlement of shares under the 2004 Share Scheme, of which £4.7 million was paid in August 2010.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### 31 Share capital

	Share capital £m	Share premium £m	Treasury shares £m	Total £m
At 28 March 2009	10.3	–	(10.2)	0.1
Shares issued/(purchased) in the period	0.1	0.6	(3.8)	(3.1)
At 27 March 2010	10.4	0.6	(14.0)	(3.0)
Shares purchased in the period	–	–	(5.1)	(5.1)
At 26 March 2011	10.4	0.6	(19.1)	(8.1)

The total number of authorised Ordinary A shares is 200.0 million each period end and the total number of Ordinary B shares is 1,000.0 million each period end. All shares have a par value of 1.0p.

The total number of allotted, called up and fully paid Ordinary A shares is 157.6 million and the total number of allotted, called up and fully paid Ordinary B shares is 879.1 million at each period end. All shares have a par value of 1.0p.

The consideration paid for the ordinary shares of 1p each in the Company held by the ESOPs has been shown as a deduction in capital and reserves as treasury shares.

The A shares in the Company entitle holders to receive notice, attend and speak at general meetings but only confer a right to vote if no B shares are in issue. The shares also have a right to receive a dividend.

The B shares in the Company entitle holders to receive notice, attend, speak and vote at general meetings. The shares also have a right to receive a dividend.

On 30 April 2009 2,148,568 ordinary A shares of 1p and on 21 August 2009 468,660 ordinary A shares of 1p were issued at 25.0p for the purposes of the 2008 Share Plan.

### 32 Reconciliation of movements in equity

	Reverse acquisition reserve £m	ESOPs reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 28 March 2009	(285.3)	2.3	(2.6)	31.0	(31.3)	(285.9)
Total comprehensive income and expense for the period	–	–	0.2	(4.7)	19.7	15.2
Tax on total comprehensive income and expense for the period	–	–	–	0.3	–	0.3
Share based payment charge	–	–	–	–	5.1	5.1
ESOPs shares unallocated in the period	–	(0.7)	–	–	–	(0.7)
Reserve transfer for exercised shares in the period	–	0.1	–	–	(0.1)	–
At 27 March 2010	(285.3)	1.7	(2.4)	26.6	(6.6)	(266.0)
Total comprehensive income and expense for the period	–	–	(13.5)	(7.3)	(2.9)	(23.7)
Tax on total comprehensive income and expense for the period	–	–	3.8	0.3	–	4.1
Share based payment charge	–	–	–	–	5.9	5.9
ESOPs shares unallocated in the period	–	(1.1)	–	–	–	(1.1)
Reserve transfer for exercised shares in the period	–	0.2	–	–	(0.2)	–
At 26 March 2011	(285.3)	0.8	(12.1)	19.6	(3.8)	(280.8)

#### Reverse acquisition reserve

The reverse acquisition reserve arose on the acquisition by New Look Retail Group Limited in 2006 of the former Trinitybrook Limited Group, as permitted by IFRS 3 Business Combinations and represents the amount paid by New Look Retail Group Limited to acquire the existing shareholdings in Trinitybrook Limited.

#### ESOPs reserve

The ESOPs reserve represents the gain made by the trusts on the transfer of shares to employees at a higher price than purchased.

#### Hedging reserve

The hedging reserve reflects the changes in fair value of effective hedging instruments on forward exchange contracts which are carried forward to match the maturity of the future cash flows.

#### Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries

### 33 Shares held by ESOPs

The ESOPs have an independent professional trustee resident in Guernsey and provide for the allocation of shares to Group employees, at the discretion of the trustee.

At 26 March 2011, the ESOPs held 98,685,649 (2010: 85,317,228) Ordinary A shares of 1p each in New Look Retail Group Limited and 323,408 (2010: 323,408) Ordinary B shares of 1p each in New Look Retail Group Limited.

The initial consideration paid for ordinary shares in New Look Retail Group Limited held by the ESOPs has been shown as a deduction in capital and reserves as treasury shares. All other assets, liabilities, income and costs of the ESOPs have been incorporated into the accounts of the Group.

### 34 Retirement benefit schemes

The Group operates a defined contribution scheme in the UK. At 26 March 2011, £0.1 million (2010: £nil) was outstanding in respect of contributions payable to personal pension schemes. The pension cost recognised in the income statement was £1.1 million (2010: £1.2 million).

In France the Group operates an unfunded defined benefit arrangement in accordance with French legal requirements which consists of a single payment at the date of retirement. The scheme is uninsured and has no assets. An actuarial assessment was carried out as at 31 December 2010 by an independent actuary, using the projected unit method. The major assumptions were:

	As at 26 March 2011 %	As at 27 March 2010 %
Rate of increase in salaries	2.5 – 3.0	2.5 – 3.0
Rate of employment growth	2.0 – 3.0	2.0 – 3.0
Discount rate	5.0	5.8
Price inflation	2.0	2.0

The liability at 26 March 2011 was £0.9 million (2010: £0.6 million), which is included in accruals. The pension cost recognised in the income statement was £0.7 million (2010: £0.1 million).

### 35 Related party transactions

#### ESOPs

At the end of the financial period, the ESOPs owed New Look Retail Group Limited £20.4 million (2010: £13.2 million).

#### Lease Agreement

The Group paid rent of £0.2 million (2010: £0.2 million) to the Singh Property Partnership in which T Singh is a partner, under the terms of a lease for ancillary offices and warehouses. The lease, which expires on 21 March 2013, is subject to five-yearly, upward only, rent reviews to market value.

#### Franchise Agreement

On 1 February 2007, the Group entered into a five-year franchise agreement with RNA Resources Group Limited (“RNA”), a subsidiary of the Landmark Group International (“Landmark”), in which Mukesh Wadhmal Jagtiani and his wife, Renuka Mukesh Jagtiani own shares. Mukesh Jagtiani also owns 29,737,833 Ordinary B shares (2010: 29,737,833) in the Company in the name of Quillan Investments Corporation.

The agreement relates to the opening of new stores under the New Look brand in the Middle Eastern territories of UAE, Kuwait, Saudi Arabia, Qatar, Oman, Jordan and Bahrain. An amendment has been made to this agreement to exclude Oman and Jordan, replacing them with Egypt instead. In addition, payment terms were varied to 60 days from 30 days, the handling fee was removed from 1 January 2010 and the territory fee payment dates for UAE and Saudi Arabia were extended to the first renewal date in those territories rather than being due on 1 April 2009.

The Group receives fees in return for granting exclusivity in the territories mentioned, in addition to a royalty and a handling charge for the supply of goods. An amount of £nil was received from Landmark in the financial period (2010: £0.5 million). £1.0 million (2010: £1.3 million) has been recognised through the income statement being the amortisation of the fee over the term of the agreement.

#### Transactions with franchisee

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Sale of goods and handling charges	21.0	14.9
Franchise royalty income	1.0	1.3
Cost of sales	(18.3)	(11.6)
	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Balance due from franchisee at the end of the financial period	3.2	3.2

Included within the balance due from franchisee is a provision of £nil (2010: £0.1 million).

**NEW LOOK RETAIL GROUP LIMITED**  
**NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED**

**35 Related party transactions continued**

**Transactions with Directors and key management**

As at 26 March 2011, there were loans outstanding with one key manager (2010: two), totalling £0.7 million (2010: £1.9 million) in connection with their purchase of the beneficial interest in shares under the 2008 Share Plan (note 30). Interest on the 2008 Share Plan loan is charged at the applicable HMRC rate and is repayable in full on exercise of shares and change in control of the business. In addition, C McPhail acquired beneficial ownership of shares under the terms of the 2008 Share Plan as at 30 April 2009 by way of a loan from ESOP1. As at 26 March 2011 the outstanding loan balance to C McPhail was £1.9 million (2010: £1.8 million) which is repayable in full on sale of the shares and change of control of the business. Interest is charged on this loan at the applicable HMRC rate.

The following transactions have occurred between the Group and Directors and key management:

	As at 26 March 2011 £m	As at 27 March 2010 £m
Investment in PIK loan	9.1	8.3

In June 2006 certain Directors and key management used funds received from the sale of part of their existing shareholdings to reinvest £12.7 million in the PIK loan.

During the period £0.8 million (2010: £2.0 million) of interest was rolled up into the PIK, £nil (2010: £0.4 million) of additional PIK loan was purchased and £nil (2010: £14.7 million) disposed of by Directors and key management.

**Transactions with private equity investors**

A monitoring fee was paid to each private equity investor during the period, details of which can be found in note 8b.

	As at 26 March 2011 £m	As at 27 March 2010 £m
Investment in PIK loan	113.5	103.6

During the financial period £nil (2010: £5.5 million) of PIK loans were purchased, £nil (2010: £0.4 million) was disposed of by entities advised by a private equity investor and £9.9 million (2010: £9.4 million) of interest was rolled up into the PIK during the period.

**Transactions with joint venture**

	For the financial periods	
	52 weeks ended 26 March 2011 £m	52 weeks ended 27 March 2010 £m
Purchases from joint venture	19.2	19.2

Included within the trade receivables is a balance of £0.1 million (2010: £nil) owed by the joint venture.

No other transactions that require disclosure under IAS 24 have occurred during the current financial period.

### 36 Investment in subsidiaries

The principal subsidiary companies in which New Look Retail Group Limited or its subsidiaries hold 100% of the ordinary shares and voting rights are listed below. These companies are consolidated into the financial results of the Group.

Subsidiary	Country of incorporation and operation	Main activity
Pedalgreen Limited <sup>(1)</sup>	England and Wales	Intermediate holding company
Trinitybrook Limited	England and Wales	Intermediate holding company
Hamperwood Limited	England and Wales	Intermediate holding company
New Look Group Limited	England and Wales	Intermediate holding company
New Look Limited	England and Wales	Intermediate holding company
New Look Retailers Limited	England and Wales	Fashion Retail
Geometry Properties Limited	England and Wales	Property trading and rental
Geometry Properties (Tonypandy) Limited	England and Wales	Property trading and rental
New Look Overseas Limited	England and Wales	Intermediate holding company
New Look Treasury Limited	England and Wales	Dormant
Vallsar (Trustees) Limited	England and Wales	Trustee company
New Look Card Services Limited	England and Wales	Non-trading
New Look Retailers (CI) Limited	Guernsey	Fashion Retail
NL Company No.1 Limited	Guernsey	Intermediate holding company
NL Company No. 2 Limited	Guernsey	Intermediate holding company
NL Company No. 3 Limited	Guernsey	Intermediate holding company
Guernsey 4 Limited	Guernsey	Intermediate holding company
New Look Holdings (France) SAS	France	Intermediate holding company
Mim SAS	France	Fashion Retail
SCI Geometry Properties France	France	Property trading and rental
New Look France SAS	France	Fashion Retail
New Look Belgium NV	Belgium	Fashion Retail
MIM Belgique	Belgium	Fashion Retail
New Look Holland BV	Holland	Fashion Retail
New Look (Singapore) PTE Limited	Singapore	Logistics and freight management
New Look Retailers (Ireland) Limited	Republic of Ireland	Fashion Retail

(1) Pedalgreen Limited shareholding held directly whilst all others held indirectly through wholly owned subsidiaries.

In addition, the Group has a 50% stake in the ordinary share capital of NLT Tekstil Sanayi Ve Ticaret Limited Sirketi, a joint venture incorporated in Turkey, whose principal trading activity is retail manufacturing.

### 37 Ultimate controlling party

New Look Retail Group Limited is the ultimate parent of the Group. The Apax Funds and the Permira Funds each hold 27.7% of the total issued share capital.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW LOOK RETAIL GROUP LIMITED

We have audited the parent company financial statements of New Look Retail Group Limited for the period ended 26 March 2011 which comprise the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 44 of the Group financial statements, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 26 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the parent company financial statements are prepared is consistent with the parent company financial statements.

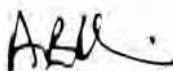
## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the Group financial statements of New Look Retail Group Limited for the period ended 26 March 2011.



**ALAN KINNEAR (SENIOR STATUTORY AUDITOR)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Southampton  
27 May 2011

- The maintenance and integrity of the New Look Retail Group Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# NEW LOOK RETAIL GROUP LIMITED

## COMPANY BALANCE SHEET

	Notes	As at 26 March 2011 £m	As at 27 March 2010 restated £m
<b>Fixed assets</b>			
Investments	5	33.6	32.5
Other debtors: amounts falling due after more than one year	6	5.8	–
<b>Current assets</b>			
Other debtors: amounts due within one year	6	–	11.7
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	7	(25.9)	(35.5)
<b>Net current liabilities</b>		(25.9)	(23.8)
<b>Total assets less current liabilities</b>		13.5	8.7
Creditors: amounts falling due after more than one year	8	(5.7)	(0.1)
<b>Net assets</b>		7.8	8.6
<b>Capital and reserves</b>			
Called up share capital	10	10.4	10.4
Share premium	11	0.6	0.6
Treasury shares	12	(19.1)	(14.0)
ESOP reserve	13	0.8	1.7
Profit and loss reserve	14	15.1	9.9
<b>Total equity shareholders' funds</b>		7.8	8.6

The financial statements on page 87 were approved by the Board of Directors on 27 May 2011 and were signed on its behalf by:



ALASTAIR MILLER  
CHIEF FINANCIAL OFFICER  
NEW LOOK RETAIL GROUP LIMITED

Registration number: 05810406

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1 Authorisation of financial statements

The financial statements of New Look Retail Group Limited for the 52 weeks ended 26 March 2011 were authorised for issue by the Board of Directors on 27 May 2011 and the balance sheet was signed on the Board's behalf by Alastair Miller.

New Look Retail Group Limited, a private limited company, is incorporated in England and Wales and is the ultimate parent Company of the New Look Group of companies.

### 2 Accounting policies

The financial statements of the Company, for the financial period ended 26 March 2011 have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable UK Generally Accepted Accounting Principles (UK GAAP). The principal accounting policies which have been applied consistently, are set out below. Other debtors and creditors have been restated to be consistent with the Group financial statements which show the gross position of the loans issued to employees of £11.7 million in connection with their purchase of the beneficial interest in shares under the 2008 share plan.

#### Basis of preparation

The Company has taken advantage of the exemption under the terms of FRS 1 (revised 1996) from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Group's financial statements. The Company has also taken advantage of the exemption contained in FRS 8 from the requirement to disclose related party transactions with wholly owned group companies. The Company has taken advantage of the legal dispensation contained in section 408 of the Companies Act 2006 allowing it not to publish a separate profit and loss account and related notes.

#### Investments

Investments are stated at cost less provisions for impairment. The need for any impairment write down is assessed by comparison of the carrying value of the asset against the higher of its net realisable value or its value in use.

#### Taxation

Corporation tax payable is provided on taxable profits at the current rate.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax has not been discounted.

### Non-derivative financial assets and liabilities

Non-derivative financial assets and liabilities are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

### Share based payments

The grant by the Company of options over its equity instruments to the employees of a subsidiary undertaking in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value of the equity instrument, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity. At each balance sheet date, the Company revises its estimates of the number of options or shares that are expected to vest. The impact of the revision, if any, is recognised as a capital contribution with a corresponding adjustment to reserves. A provision is booked for the liability arising on 'cash settled' share based payments on behalf of a subsidiary undertaking at each balance sheet date. Full disclosure of share based payments is given in note 30 of the Group financial statements.

### Shares held by ESOP

The ESOP provides for the issue of shares to Group employees and is consolidated. The shares acquired by the ESOP are included as treasury shares within capital and reserves at cost. Gains made by the ESOP on purchasing and selling Company shares are recorded within a separate ESOP reserve.

### 3 Loss of the Company

The loss for the financial period dealt with in the financial statements of the Company was £483,000 (2010: loss £889,000). The Company has no recognised gains or losses (2010: none) apart from the loss for the period and therefore no separate statement of gains and losses has been presented.

The fees payable for the audit are £10,000 (2010: £10,000). The aggregate remuneration paid to the auditors in relation to services received by the Group is disclosed in the consolidated financial statements in note 7.

### 4 Staff costs

New Look Retail Group Limited had no employees other than the Non-Executive Directors of the Company, all of which resigned during the period. The average number of Non-Executive Directors during the period is 2 (2010: 4). The aggregate emoluments in respect of qualifying services were £431,000 (2010: £197,000). Details of Directors' remuneration are shown in note 8 to the Group consolidated financial statements.

## 5 Investments

	As at 26 March 2011 £m	As at 27 March 2010 £m
Cost and NBV at the start of the period	32.5	22.4
Capital contribution in respect of share based payments	1.1	10.1
<b>Cost and NBV at the end of the period</b>	<b>33.6</b>	<b>32.5</b>

Investments represent holdings in subsidiary undertakings.

The principal subsidiary companies in which New Look Retail Group Limited or its subsidiaries hold 100% of the ordinary shares and voting rights are listed below. These companies are consolidated into the financial results of the Group.

Subsidiary	Country of incorporation and operation	Main activity
Pedalgreen Limited <sup>(1)</sup>	England and Wales	Intermediate holding company
Trinitybrook Limited	England and Wales	Intermediate holding company
Hamperwood Limited	England and Wales	Intermediate holding company
New Look Group Limited	England and Wales	Intermediate holding company
New Look Limited	England and Wales	Intermediate holding company
New Look Retailers Limited	England and Wales	Fashion retail
Geometry Properties Limited	England and Wales	Property trading and rental
Geometry Properties (Tonypanyd) Limited	England and Wales	Property trading and rental
New Look Overseas Limited	England and Wales	Intermediate holding company
New Look Treasury Limited	England and Wales	Dormant
Vallsar (Trustees) Limited	England and Wales	Trustee company
New Look Card Services Limited	England and Wales	Non-trading
New Look Retailers (CI) Limited	Guernsey	Fashion retail
NL Company No.1 Limited	Guernsey	Intermediate holding company
NL Company No. 2 Limited	Guernsey	Intermediate holding company
NL Company No. 3 Limited	Guernsey	Intermediate holding company
Guernsey 4 Limited	Guernsey	Intermediate holding company
New Look Holdings (France) SAS	France	Intermediate holding company
Mim SAS	France	Fashion retail
SCI Geometry Properties France	France	Property trading and rental
New Look France SAS	France	Fashion retail
New Look Belgium NV	Belgium	Fashion retail
MIM Belgique	Belgium	Fashion retail
New Look Holland BV	Holland	Fashion retail
New Look (Singapore) PTE Limited	Singapore	Logistics and freight management
New Look Retailers (Ireland) Limited	Republic of Ireland	Fashion retail

(1) Pedalgreen Limited shareholding held directly whilst all others held indirectly through wholly owned subsidiaries.

In addition, the Company has a 50% stake in the ordinary share capital of NLT Tekstil Sanayi Ve Ticaret Limited Sirketi, a joint venture incorporated in Turkey, whose principal trading activity is retail manufacturing.

## 6 Other debtors

	As at 26 March 2011 £m	As at 27 March 2010 Restated (note 2) £m
Other debtors: amounts falling due within one year	–	11.7
Other debtors: amounts falling due after more than one year	5.8	–

## 7 Creditors: amounts falling due within one year

	As at 26 March 2011 £m	As at 27 March 2010 Restated (note 2) £m
Amounts owed to Group undertakings	23.9	16.4
Other creditors	–	11.7
Other taxation and social security	0.4	0.1
Liability for cash settled share based payments	1.6	7.3
	<b>25.9</b>	<b>35.5</b>

Amounts owed to Group undertakings bear interest at LIBOR plus 2.25%, are unsecured and repayable on demand.

# NEW LOOK RETAIL GROUP LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 8 Creditors: amounts falling due after more than one year

	As at 26 March 2011 £m	As at 27 March 2010 £m
Other creditors	5.0	–
Other taxation and social security	0.4	–
Liability for cash settled share based payments	0.3	0.1
	<b>5.7</b>	<b>0.1</b>

### 9 Financial commitments

The Company had no capital commitments at 26 March 2011 (2010: none).

### 10 Called up share capital

	As at 26 March 2011 £m	As at 27 March 2010 £m
<b>Authorised:</b>		
200,000,000 Ordinary A shares of 1p each	2.0	2.0
1,000,000,000 Ordinary B shares of 1p each	10.0	10.0
	<b>12.0</b>	<b>12.0</b>
<b>Allotted and fully paid:</b>		
157,617,228 Ordinary A shares of 1p each	1.6	1.6
879,126,079 Ordinary B shares of 1p each	8.8	8.8
	<b>10.4</b>	<b>10.4</b>

On 9 May 2006, New Look Retail Group Limited was incorporated with 1 Ordinary share of £1 issued to Instant Companies Limited. On 19 May 2006, New Look Retail Group Limited transferred the share to Permira Funds and issued 1 Ordinary share of £1 to Apax Funds so that it was jointly and equally held. On 1 June 2006 each £1 Ordinary share was converted into 100 Ordinary B shares of 1p.

On 7 June 2006, to acquire shares of Pedalgreen Limited, a further 287,183,785 Ordinary B shares of 1p each were issued to Apax Funds and a further 287,183,786 Ordinary B shares of 1p each were issued to Permira Funds and a coinvestor. 155,000,000 Ordinary A shares of 1p each and the remaining 304,758,308 Ordinary B shares of 1p each were issued to the remaining shareholders of Pedalgreen Limited. At that date the Company became the ultimate holding company of Trinitybrook Limited as part of the Group reorganisation pursuant to the share for share exchange arrangement, in which 100% of the voting shares of Pedalgreen Limited were acquired by New Look Retail Group Limited.

In the 2007 financial statements New Look Retail Group Limited took advantage of section 131 Merger Relief under the Companies Act 1985 in preparing its financial statements. No share premium has been recognised on the issue of these shares.

On 30 April 2009 2,148,568 ordinary A shares of 1p and on 21 August 2009 468,660 ordinary A shares of 1p were issued at 25.0p for the purposes of the 2008 Share Plan. The share premium arising from these issues is shown in note 11. The 2008 Share Plan is one of the Group's share based payment arrangements shown in note 30 of the Group financial statements and is operated through an ESOP discussed in note 12.

### 11 Share premium

	As at 26 March 2011 £m	As at 27 March 2010 £m
Opening share premium	0.6	–
Shares issued in the period	–	0.6
<b>Closing share premium</b>	<b>0.6</b>	<b>0.6</b>

### 12 Treasury shares

The initial consideration paid for ordinary shares in the Company held by the ESOP has been shown as a deduction in capital and reserves as treasury shares. All other assets, liabilities, income and costs of the ESOP have been incorporated into the financial statements of the Company.

The ESOP has an independent professional trustee resident in Guernsey and provides for the issue of shares to Group employees, at the discretion of the Trustee.

At 26 March 2011 the ESOP held 98,685,649 (2010: 85,317,228) Ordinary A shares of 1p each in the Company and 323,408 (2010: 323,408) Ordinary B shares of 1p each in the Company.

	As at 26 March 2011 £m	As at 27 March 2010 £m
Opening treasury shares	(14.0)	(10.2)
Share purchased in the period	(5.1)	(3.8)
<b>Closing treasury shares</b>	<b>(19.1)</b>	<b>(14.0)</b>

### 13 ESOP reserve

	As at 26 March 2011 £m	As at 27 March 2010 £m
Opening ESOP reserve	1.7	2.3
Shares unallocated in the period	(1.1)	(0.7)
Reserve transfer for exercised shares in the period	0.2	0.1
<b>Closing ESOP reserve</b>	<b>0.8</b>	<b>1.7</b>

### 14 Profit and loss reserve

	As at 26 March 2011 £m	As at 27 March 2010 £m
Opening profit and loss reserve	9.9	5.8
Loss for the financial period (note 3)	(0.5)	(0.9)
Reserve transfer for exercised shares in the period	(0.2)	(0.1)
Share based payment charge	5.9	5.1
<b>Closing profit and loss reserve</b>	<b>15.1</b>	<b>9.9</b>

### 15 Reconciliation of movement in equity shareholders' funds

	As at 26 March 2011 £m	As at 27 March 2010 £m
Loss for the financial period (note 3)	(0.5)	(0.9)
Shares issued in the period (note 10, 11)	–	0.7
Shares issued to ESOP from treasury shares (note 12)	(5.1)	(3.8)
Shares purchased and unallocated in the period (note 13)	(1.1)	(0.7)
Share based payment charge (note 14)	5.9	5.1
<b>Net movement in shareholders' funds</b>	<b>(0.8)</b>	<b>0.4</b>
Opening shareholders' funds	8.6	8.2
<b>Closing shareholders' funds</b>	<b>7.8</b>	<b>8.6</b>

### 16 Contingent liability

The Company is party to a cross guarantee on the UK borrowing facilities of the New Look Retail Group Limited Group, which amounts to a £50.0 million (2010: £50.0 million) undrawn committed revolving multi-currency facility as at 26 March 2011. This facility expires after more than one year.

### 17 Related party transactions

The Directors of the Company had no material transactions with the Company during the period, other than the loans that were outstanding in connection with their purchase of the beneficial interest in shares under the 2008 Share Plan as disclosed in note 35 of the consolidated financial statements.

### 18 Ultimate controlling party

New Look Retail Group Limited is the ultimate parent of the Group. The Apex Funds and the Permira Funds each hold 27.7% of the total issued share capital.

# CONTACTS

## Registered office

New Look House  
Mercery Road  
Weymouth  
Dorset  
England  
DT3 5HJ

Tel: +44(0) 1305 765000  
Fax: +44(0) 1305 765001

Website: [www.newlook.com](http://www.newlook.com)

Registered Number in England: 05810406

## Investor relations

45 Mortimer Street  
London  
England  
W1W 8HJ

Tel: +44(0) 20 3219 7000

## Press office

45 Mortimer Street  
London  
England  
W1W 8HJ

Tel: +44(0) 20 3219 7000

## Customer services

New Look House  
Mercery Road  
Weymouth  
Dorset  
England  
DT3 5HJ

Tel: +44(0) 500 454094

## Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Savannah House  
3 Ocean Way  
Ocean Village  
Southampton  
England  
SO14 3TJ

## Legal

Slaughter and May LLP  
One Bunhill Row  
London  
England  
EC1Y 8YY

## Financial public relations

Tulchan Communications Group  
85 Fleet Street  
London  
England  
EC4Y 1AE

Tel: +44(0) 20 7353 4200



# THE CARBON NEUTRAL COMPANY



This Report is printed on Hello Silk paper. This paper has been independently certified as meeting the standards of the Forest Stewardship Council (FSC), and was manufactured at a mill that is certified to the ISO14001 and EMAS environmental standards. The inks used are all vegetable oil based.

This Report is printed on Challenger Offset. This paper has been independently certified as meeting the standards of the Forest Stewardship Council (FSC), and was manufactured at a mill that is certified to the ISO14001 and EMAS environmental standards.

Printed at St Ives Westerham Press Ltd, ISO9001, ISO14001, FSC certified and CarbonNeutral®

Design and production by Black Sun Plc (London)  
www.blacksunplc.com  
+44 (0) 20 7736 0011



New Look Retail Group Limited  
New Look House,  
Mercery Road, Weymouth,  
Dorset, DT3 5HJ, UK.  
Tel: +44 1305 765000  
[www.newlook.com](http://www.newlook.com)