NEW LOOK

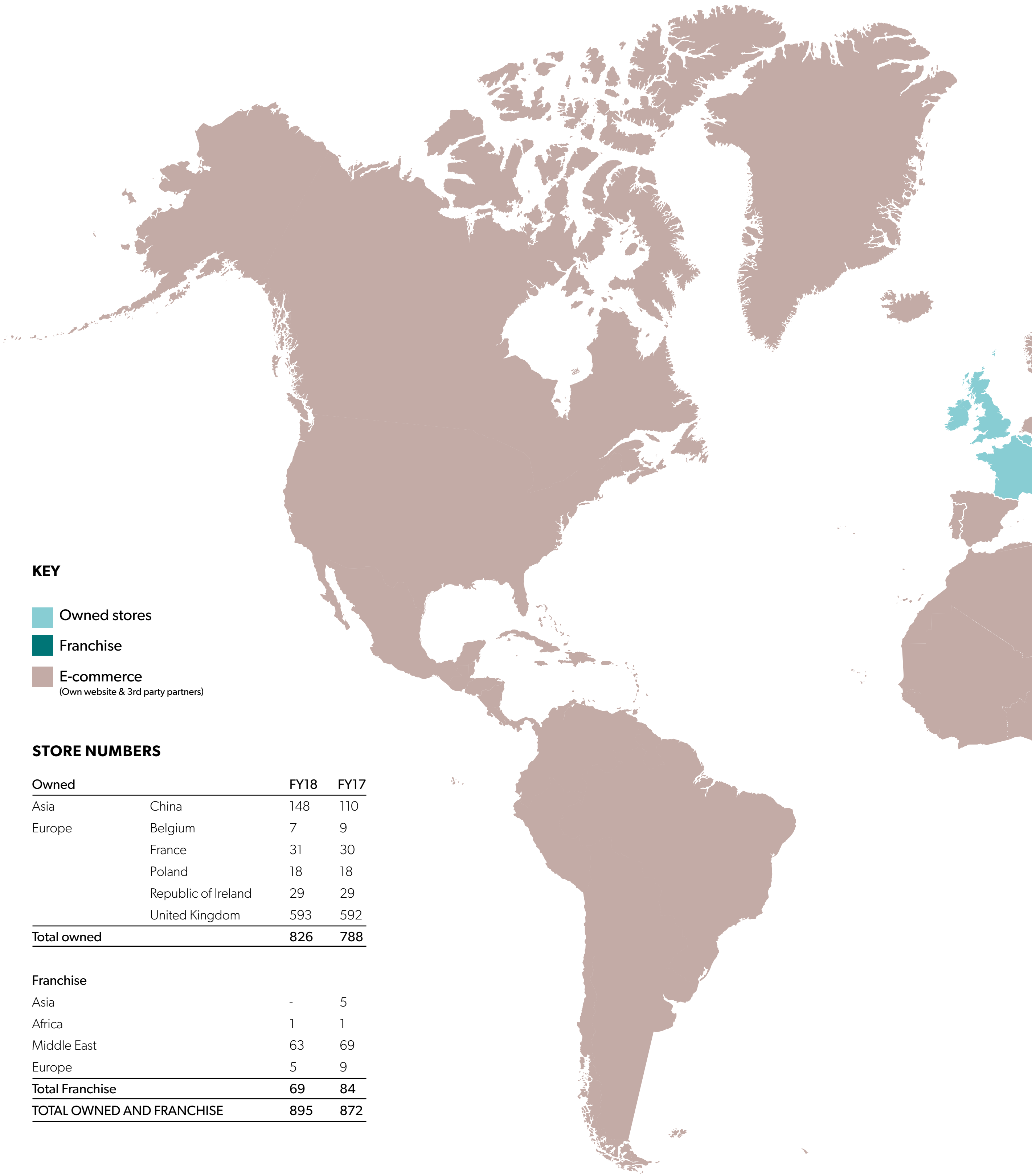
ANNUAL REPORT

NEW LOOK RETAIL GROUP LIMITED 05810406

2017/18

* The Group consists of New Look Retail Group Limited ('NLRGL') and its subsidiaries.

GLOBAL REACH



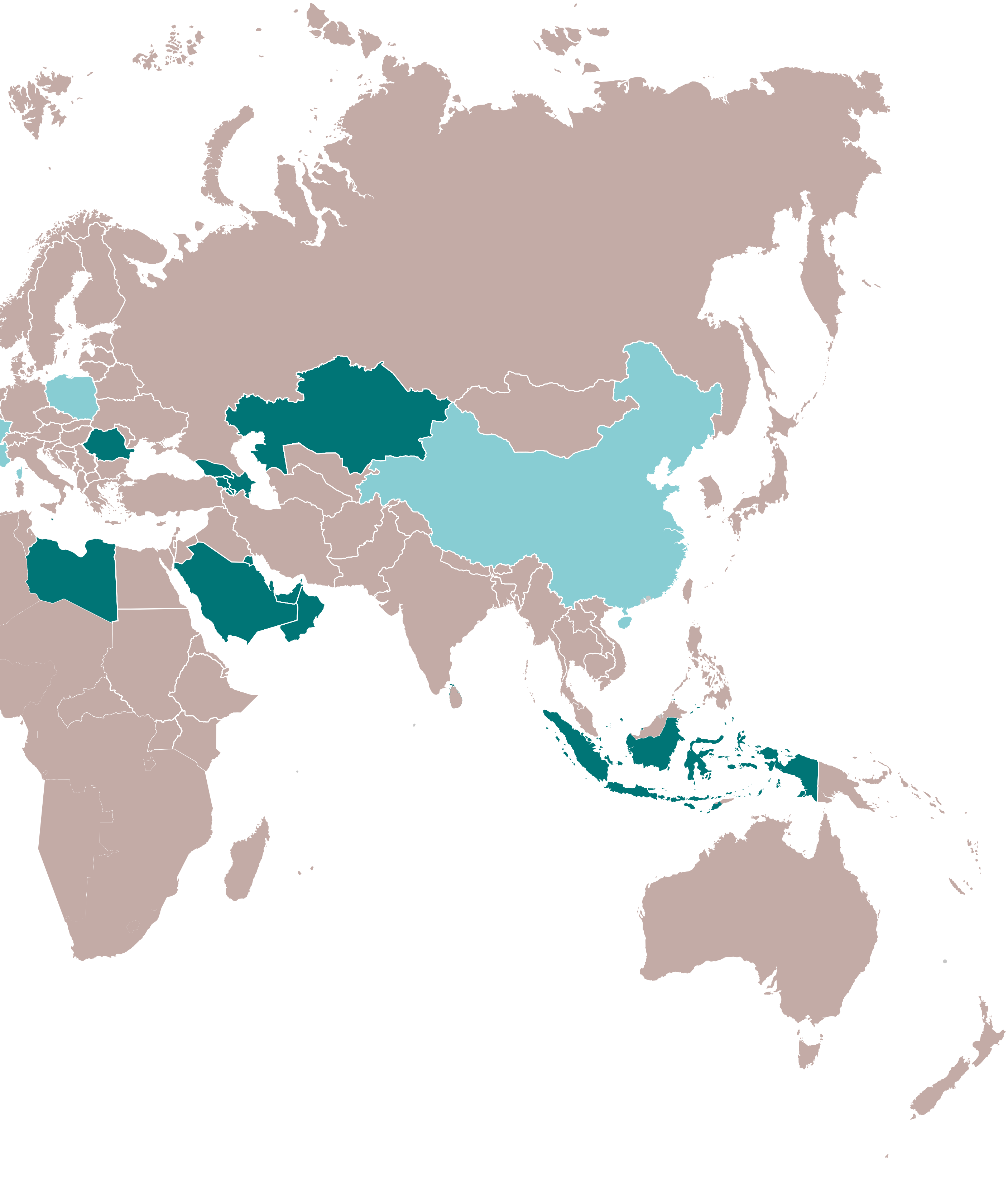
KEY

- Owned stores
- Franchise
- E-commerce (Own website & 3rd party partners)

STORE NUMBERS

Owned		FY18	FY17
Asia	China	148	110
Europe	Belgium	7	9
	France	31	30
	Poland	18	18
	Republic of Ireland	29	29
	United Kingdom	593	592
Total owned		826	788

Franchise		
Asia	-	5
Africa	1	1
Middle East	63	69
Europe	5	9
Total Franchise	69	84
TOTAL OWNED AND FRANCHISE	895	872



GROUP OVERVIEW

New Look is a leading UK multichannel retail fashion brand with international reach in key global markets

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At the end of March 2018, we traded from 895 stores (593 in the UK; 302 in other markets)

We've had a difficult year – we lost connection with our core customers and got our stock packages wrong. Despite this, we're still No. 1 in the age 18-35 UK Womenswear market* – testament to our continued brand strength and loyalty

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Total revenue declined 7.3%

15.5% revenue growth from 3rd Party E-commerce

Adjusted EBITDA** loss of £10.7m impacted by action required to deal with excessive stock not targeted at our core customer, a weak supply chain and E-commerce trading moving away from a full-price model

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*Measured by KantarWorldPanel published data 52 weeks ended 11 March 2018 (Womenswear by value.)

** Adjusted EBITDA, a non-IFRS measure, is calculated as operating (loss)/profit before exceptional items, share based payment charge or credit, the movements in fair value of financial instruments, the impairment charge or write back of tangible and intangible assets, the income statement charge or credit in relation to the onerous lease provision, depreciation and amortisation.

We're now returning to proven broad appeal product with lower prices to deliver exceptional value. Our distinctive value-fashion proposition offers exciting, on-trend apparel, accessories and footwear for women, men and teenage girls

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Our new E-commerce platform launched in 2017 serves 66 markets via transactional websites and mobile apps – we're ensuring our E-commerce and store trading are totally aligned

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Our supply chain has been fundamentally re-aligned with increased flexibility in our buying model, faster trend reactions and reduced lead times

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We've achieved and identified significant operational cost savings – including approval of a Company Voluntary Arangement ("CVA") to address the over-rented position of our UK estate and reduce our number of stores going forward

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Over 18,000 people work in our stores and support centres around the world, committed to delivering the great service for which we're known

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EXECUTIVE CHAIRMAN'S STATEMENT

The fashion retail sector has continued to face the challenges of fundamental change across the industry and in consumer behaviour, further impacted by Brexit uncertainties within the UK. These external factors, together with some significant self-inflicted issues, have made this a disappointing year for New Look.

We alienated our heartland customer by focusing on a 'young' & 'edgy' audience. A higher priced offering compromised our reputation for value, and a drive for improved margins impacted our speed to market as we failed to utilise the agility and flexibility of our supply chain effectively. Now, having taken the long-term strategic decision to return New Look to the compelling fast-fashion proposition of broad appeal and great value on which our success was built, we are on track to correct the problems that have impacted performance.

I'm excited to be back at the helm following a previous successful tenure from 2011 to 2014. Fundamentally I still believe New Look is a great brand, and our future success will be assured by addressing head-on the challenges of today's rapidly changing market environment and the continued growth of online shopping.

I'm very pleased that Tom Singh, the brand's founder, has returned to play a more active role once more in the business – supporting our Chief Product Officer, Roger Wightman, in repositioning our product offering. Everyone at New Look is delighted that Tom and Roger are renewing the partnership that has served the business so well over the years. No one better understands our core customer or the equation of style, speed and value so absolutely fundamental to New Look's appeal. We've also identified and addressed failures in our planning cycle and supply chain that compromised our ability to back key trends. We now have a much tighter planning framework in place, and we've been working closely with our key suppliers to shorten the lead time for products, minimise slippage and so maximise the window for full-price trading.

During the year, our customer experience had also been impacted due to a divergence between online and store pricing. This has now been adjusted to make sure we deliver cohesion and consistency across all our trading channels. We're now more focused than ever before on growing and utilising the synergy between our store and online channels, believing this should be one of New Look's key strengths.

New Look's shareholder remains fully supportive and is working alongside us as we continue to improve the performance of the business. The non-recurrence of FY18 one-off charges, coupled with a programme of significant cost savings totalling over £30m and margin improvements will enhance the Group's liquidity position. In addition, we are now re-assessing our international operations to make sure New Look is well-positioned to drive strong business performance and profitable growth.

Of course, New Look's special strength is its great people, and I want to thank employees in our stores, support centres and distribution facilities for their continuing dedication, drive and hard work through these challenging times.

Trading conditions are expected to remain tough in the year ahead. But we've already relaunched our business with an engaging marketing campaign to highlight our repositioning and renewed focus on value, and we're working hard to offer customers exceptional product at truly great prices whenever and by whatever channel they shop with us. I believe that by delivering operational efficiencies and focussing on our core strengths we will see this market-leading brand restored to long term profitability.

A K McGeorge.

Alistair McGeorge
Executive Chairman

7th June 2018

OUR BUSINESS MODEL

WHO WE ARE AND WHAT WE DO

New Look is a leading fast-fashion multichannel retailer operating in the value segment of the clothing and footwear market, predominantly in the UK, but with a significant presence in targeted international markets. By reacting swiftly to emerging trends, we provide an exciting shopping experience in-store at nearly 900 locations globally, plus online through our transactional websites and mobile apps. Our ranges comprise women's apparel, footwear and accessories, as well as menswear and teenswear – all distinguished by a distinctive product handwriting. We cater for a broad spectrum of ages from early teens to 45 and over. Our commitment to inclusivity is evidenced in the comprehensive span of sizes we offer, ranging (in women's apparel) from UK 6 to UK 32.

OUR GLOBAL SUPPLY CHAIN

We don't directly operate the factories that manufacture our product ranges. Instead, our value-fashion model is predicated on maintaining a reliable and highly adaptive global supply chain designed to meet our goals in product development, manufacturing expertise and delivery timings. We've built and sustained strong, strategic relationships; currently we're working with 196 suppliers in 25 countries – over 770 factories are involved in production for us. But we acknowledge that we need to utilise much more effectively our supply chain's inherent capacity for speed to market as this will give us the significant competitive advantage which will be a key driver in our turnaround. We will continue to place a determination to trade ethically and sustainably at the heart of all that we do, inspiring and upholding high standards in corporate social responsibility not only throughout our own business but right across our supply chain.

OUR UK PRESENCE

At the end of FY18, we had 593 stores in the UK, including 22 New Look Men stores. On 21 March 2018 we announced the approval of a Company Voluntary Arrangement (CVA) aimed at right-sizing our UK store portfolio and addressing the over-rented position of the UK estate. This is a significant step towards the delivery of our turnaround strategy, focused on returning the business to long-term profitability. We have identified 60 of our UK stores for potential closure, together with a further 6 sites which are sub-let to third parties.

Despite these potential closures, we believe the extensive geographic reach of our remaining UK estate will continue to give us a competitive advantage. For, while growth in the UK apparel market is likely to be predominantly driven by online sales, our physical stores remain the primary customer touch-point within our multichannel model. Stores remain at the heart of the New Look experience, enabling customers not only to browse and buy – but additionally to place, exchange or return online orders with genuine convenience.

OUR COHESIVE MULTICHANNEL MODEL

Shopping habits and behaviours have changed. Although stores remain our primary shopping channel, customers are now more likely than ever to use a mix of digital and physical channels to browse, compare, buy, and if necessary exchange or return purchases. We acknowledge that complete consistency and effective integration is key, so we're now refocusing our efforts to achieve and maintain full alignment between our in-store and online experience. The latter is supported by our range of convenient, customer-focused low-cost delivery options, including click and collect. To future-proof our E-commerce channel, we have maintained significant levels of investment, culminating during FY18 in the migration of our transactional website to a new Hybris platform.

OUR INFRASTRUCTURE

Our directly operated, highly automated distribution centre at Lymedale, Stoke-on-Trent, has the capacity to process up to 180 million units annually. This operation handles UK deliveries plus global fulfilment of all E-commerce and 3PE orders and is complemented by outsourced distribution hubs in Singapore and Shanghai supporting our operations in Asia.

Our London Support centre accommodates our Buying, Merchandising, Design, Multichannel, International Partnerships and Marketing teams, while our Weymouth site houses our IT, Finance, Audit, Procurement, Property and Human Resources teams. We also have in-market support teams located in Paris, Brussels, Warsaw and Shanghai.

OUR SOCIAL DIALOGUE

New Look has a significant presence across leading social media platforms including Facebook, Instagram, Twitter and Pinterest. Supporting the turnaround strategy adopted by the business, our content focus has shifted back towards our core demographic. So, while our various platforms sustained continued growth in followers during FY18, we are already transitioning our primary focus from broadcast material to include reactive messaging – thus achieving greater and more genuine depth of engagement. And, in tandem with our well-established PR activities, we have successfully launched our first-ever influencer programme which enables us to amplify key product messages. We are also implementing social listening capabilities that will enable us to detect and respond to social trends faster than ever before.

OUR CAREER OPPORTUNITIES

We are committed to rewarding the skill and effort of our dedicated and passionate teams. We are proud to offer exceptional career opportunities, and we work hard to build pipelines of future talent. Our strategy allows us to engage with people around the globe who have the energy, passion and desire to build their career with us.

A set of key core values inform every action we take, every decision we make and the behaviours we expect: Take Responsibility, Keep it Simple, Act with Pace, Think Customer and Be Brave. We provide appropriate training and support for employees at all levels of our business, ranging from skills development, apprenticeships and NVQs through to professional qualifications and executive programmes for top leadership talent. We partner universities, colleges and schools to provide graduate and apprenticeship schemes. We also work closely with charitable organisations such as the Princes Trust and Head Start to help disadvantaged young people access career opportunities in fashion.

YEAR IN REVIEW

It's been a disappointing period for the business, with performance suffering from a combination of challenging market conditions and some significant self-inflicted issues.

We are already correcting at pace the internal problems that have impacted our ability to deliver the best possible product and customer experience. The repositioning of our brand proposition, together with the full and seamless alignment of our activities across all channels, will better place us to respond to continuing challenges and uncertainties in the market.

A new leadership team has been appointed following the departure of Anders Kristiansen, our previous CEO, in September 2017. Alistair McGeorge has returned to New Look as Executive Chairman – a role he previously held between 2011 and 2014, when he was pivotal in the Group's turnaround.

Also, New Look's founder, Tom Singh, has returned to a more active role in the business – supporting our Chief Product Officer, Roger Wightman, in repositioning our product offering and ensuring its renewed breadth of appeal and focus on value.

The changes we have already executed are designed to reconnect with our core customer and drive improvements in full price sales and profit growth. We have a clear turnaround plan, focused on a range of measures aimed at correcting our self-inflicted problems and returning New Look to profitability. Our progress on each of these is discussed below.

We're confident in the fundamental strength and appeal of our market-leading brand, and we believe we have the right people and plans in place to drive a significant improvement in our performance.

RETURN TO PROVEN BROAD APPEAL PRODUCT

Traditionally, we have pitched our womenswear product at 16-45 year olds, with value as a key aspect of the proposition. In pursuing an edgier, fashion-forward consumer, our traditional broad appeal was compromised and our marketing campaigns followed.

Our past success was rooted in our inclusiveness and readily identifiable relevance to a wide range of customer types. We are now refocusing on delivering this breadth and variety that ensures we'll once more have the right product at the right price for everyone who shops with us. This means we're returning to the compelling proposition of value-led fast-fashion and wardrobe basics for which we've always been famous. We have revised our 'style tribes' which our Buying, Merchandising and Design teams have already incorporated and our marketing campaigns have reflected upon.

LOWER PRICES DELIVERING BETTER VALUE

One of the consequences of our focus on an edgier, fashion-forward consumer was the relegation of our value proposition.

We've now put in place a robust revision of our pricing framework, strengthening entry prices and reclaiming our reputation for exceptional value. Most significantly, we've actioned a step-change in our price bands, with over 80% of our Spring/Summer product now planned to retail under £20.

A COHESIVE MULTICHANNEL MODEL

During the first half of FY18, our E-commerce strategy had been to drive sales to compete with 'pure play' online-only competitors. As a result, product offerings and prices became misaligned between channels.

We have now moved swiftly to full re-alignment between our stores and online channels. This has involved adjusting our marketing focus, our delivery service options, and most especially our expenditure on new customer acquisition. We will no longer chase unprofitable sales, focussing instead on the attractiveness and competitive advantage of a truly seamless and consistent experience across all channels including changes to make click and collect the most prominent delivery option and drive footfall to our stores.

We migrated our transactional website during the year to a new Hybris platform geared to providing an enhanced look, improved functionality, and the capacity for true localised trading in each of our global markets. Although crucial to our future growth, this migration temporarily impacted our online traffic due to factors such as an initial reduction in search engine rankings. We are now fully optimising the new platform and realising its potential to transform our online experience on mobile devices and to support our dual gender brand identity.

A FUNDAMENTALLY REALIGNED SUPPLY CHAIN

We lost our emphasis on speed during the year. Our drive to improve margins lead product to be bought on long lead times. This meant opportunities to capitalise on key trends were lost and we compromised our long-held reputation for bringing 'heartland' customers the latest looks at attractive price points – fundamental to the appeal of our value fast-fashion proposition.

Our diminished agility shortened the available window to achieve sales at full price and left no margin for error or delays from suppliers. This lack of speed, combined with some slippage on the supply side, created a requirement to increase discounting, compounding the damage to sales and gross margins. We are working at pace to re-establish our focus on speed to market and to rebuild the agility that can enable us once more to capitalise on trends without compromising on achieved profit margins.

To this end, we are collaborating closer than ever with our suppliers, cementing truly symbiotic relationships founded on mutual benefit, support and understanding. We have reduced the total number of product options and we're also managing our stock commitments to create greater flexibility and the opportunity to trade into winning trends much more quickly.

EFFICIENCY & COST SAVINGS

Amid a challenged trading performance and a difficult retail environment, we have renewed our focus on cost reductions and efficiencies right across the business.

On 21 March 2018, we announced the approval of a Company Voluntary Arrangement (CVA) aimed at right-sizing our UK store portfolio and addressing the over-rented position of UK estate. We performed an in depth review of the property portfolio with the assistance of a number of advisors, including property, legal and financial specialists. The CVA is effective for a period of 3 years.

The proposal classified stores into one of five buckets, the table below summarises the changes to lease terms for each bucket;

	Category A	Category B1	Category B2	Category B3	Category C
Rent payment cycle	Move to monthly on 25th (unless already monthly)	Move to monthly on 25th (unless already monthly)	Move to monthly on 25th (unless already monthly)	Move to monthly on 25th (unless already monthly)	Move to monthly on 25th (unless already monthly)
Rent reduction	No	Yes – 20%	Yes – 40%	Yes – 60%	Yes – 60% for 6 months, then 100%
Rent level at the end of the CVA	As per existing terms, return to lease payment arrangement	Higher of Market Rent or CVA rent			N/a
Termination right – Landlord	No	Yes – on any date falling prior to the date six calendar months after the 21 March 2018 "Effective Date" by giving not less than 60 days' prior notice.			Yes – 60 days' notice
Termination right – NLRL	No	Yes – on only the second or third anniversary of the Effective Date by giving not less than three months' prior notice	Yes – on any date falling after the date 18 months after the Effective Date by giving not less than three months' prior notice	Yes – 60 days' notice to expire at any time after first anniversary of Effective Date	Yes – 60 days' notice to expire at any time after the first 180 days from the Effective Date
Dilapidations	No change	Company will pay 5% of contractual rent for the period of the CVA, or termination date if earlier, in lieu of all dilapidations liability			
Rent review	No change	None during CVA term			

Rent reductions have been obtained across 393 stores, with rent payments for all stores moving to a monthly payment cycle, resulting in a working capital benefit.

We have identified 60 stores in the UK for potential closure alongside a further six sites which are sub-let to third parties. These stores are loss making or delivering marginal contribution, largely reflecting changing shopping dynamics that have occurred over time in individual markets.

In addition to this review of our UK store estate, annual cost savings of around £30.0 million have already been identified and are now being actioned. We have scaled back our marketing expenditure and delivery costs and additional savings include reduced inventory shrinkage, efficiency improvements across the business and organisational structure changes.

We have also cancelled the planned relocation of our London offices to larger space in Kings Cross with abortive expenditure being charged this year.

Further cost reduction initiatives are continuously being investigated and pursued.

PEOPLE

A critical success factor for New Look has always been our people. We are working to embed a People First culture at New Look, where everyone feels motivated to invest their careers in our brand and opportunities and rewards are clearly identified and supported.

We want our people to be proud to work at New Look and to be recognised for their achievements. Only by embedding this culture can we retain the talent that will allow us to achieve our strategic goals and return our business to profitability.

We have returned to our five core values that our employees truly connect with: Take Responsibility, Keep it Simple, Act with Pace, Think Customer and Be Brave.

In support of this People First culture, we are examining current management structures to simplify reporting lines, create appropriate leverage within the organisational pyramid and make sure we've got the right people overseeing employee development.

We continue to develop a regular dialogue with our employees. We communicate our financial and strategic performance to our colleagues on a quarterly basis, aligned to our reporting obligations to the capital markets. We utilise a real time survey tool to conduct regular engagement polls to measure and understand true levels of employee engagement and advocacy. In FY18, our global employee engagement achieved 85% (FY17: 86%).

FINANCIAL REVIEW

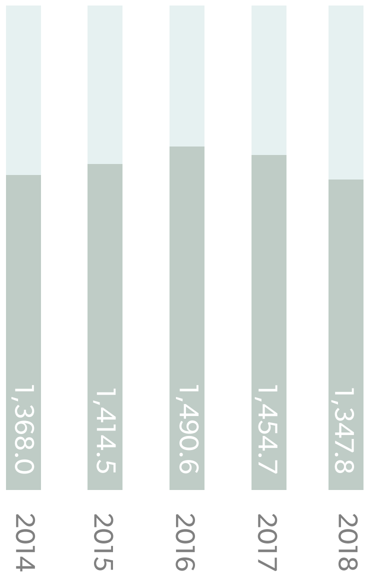
Performance in FY18 was a tale of two halves. In the first half, our product ranges were focused on the 'young' and 'edgy' customer rather than the traditional broad church New Look core customer and our buying flexibility was compromised by buying product on longer lead times in an attempt to achieve better margins. Then, in the second half, our focus switched to clearing stocks and implementing the turnaround initiatives ready for a fresh start to the next financial year.

Challenging, promotion-led markets in the UK and Europe, the continuing decline in UK high street footfall due to weakening consumer confidence, and the loss of focus on our core customer collectively resulted in Adjusted EBITDA* decreasing by £165.7 million to a £10.7 million loss. This loss includes significant one off items that management believe will not reoccur during FY19.

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

* Adjusted EBITDA, a non-IFRS measure, is calculated as operating (loss)/profit before exceptional items, share based payment charge or credit, the movements in fair value of financial instruments, the impairment charge or write back of tangible and intangible assets, the income statement charge or credit in relation to the onerous lease provision, depreciation and amortisation.

TOTAL REVENUE (£M)



REVENUE

Total revenue decreased by £106.9 million to £1,347.8 million (2017: £1,454.7 million).

UK Retail sales decreased £72.3 million. Like our competitors, we experienced challenging market conditions with continued economic uncertainty and depressed consumer confidence, however our disappointing performance was largely attributable to a change in strategy. We shifted our focus away from our established strengths of product with broad appeal and highly attractive price architecture – the combination that has served to make New Look such a widely loved brand. We also over-committed to stock ahead of a season. As a result we lost the flexibility to back our winners and left ourselves exposed when particular trends simply didn't work for us. The focus of our customer experience followed suit, with our marketing chasing a younger, edgier customer and instead of boasting our core strengths, we found ourselves exposed to increased competition from the 'pure-play' E-tailers. We'd lost sight and pride of the inclusiveness and value for money that has been fundamental to our previous successes.

Our E-commerce business underperformed in FY18, with sales down by £44.2 million, or -19.2%. During the period, traffic on our transactional website at newlook.com was temporarily impacted, as anticipated, by the launch of a new UK platform geared to enhancing optimisation and supporting future growth. Our E-commerce product strategy shifted in line with our overall UK Retail strategy, and we chased top-line sales with the aim of driving increased volumes and competing with the pure play E-tailers who currently dominate the online young fashion market, where customer expectations inspired the introduction of margin-compromising service options. As part of our turnaround initiatives we changed the online trading model in the second half, moving away from chasing top-line sales, to successfully driving profitable sales.

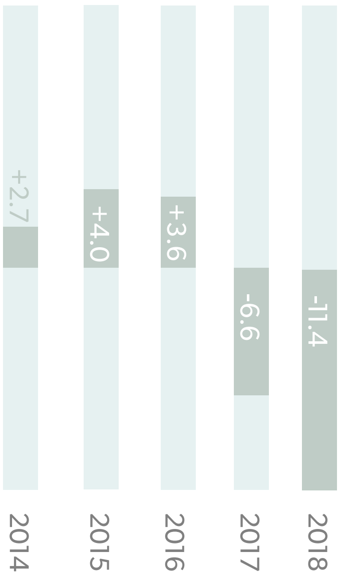
Business with our 3rd Party E-commerce partners performed positively, increasing by +15.5% to £72.9 million (2017: £63.1 million). Our key internationally diverse partners (including ASOS, Zalando and Amazon EU) continued to give us a route into new territories and further extend our global reach.

We also continued to invest in our International business – particularly in China, where we now trade from 148 stores supplemented by a growing presence on the Tmall marketplace website.

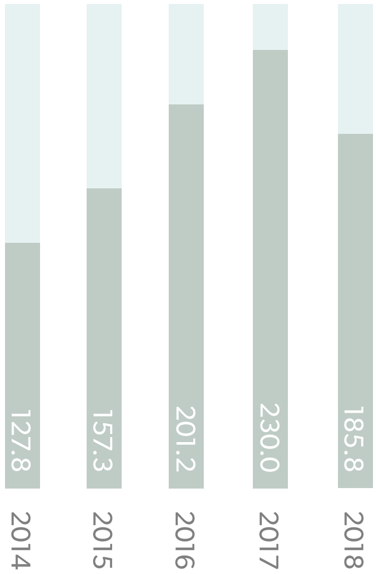
Total international sales decreased by -2.7% (2017: +15.4%) and in constant currency declined -7.4% (2017: +2.1%). Sales in Ireland, France and Belgium declined in constant currency, but in Poland and China, constant currency sales were positive.

Sales from our franchise segment increased by +11.7%, due to an increase in stock sold to our partner in UAE, partially offset by a reduction on royalty income year on year.

LFL SALES (%)



E-COMMERCE SALES (£M)



LFL SALES

LFL sales declined -11.4% (2017: -6.6%), driven by challenging conditions across all markets and the self-inflicted changes in strategy.

UK LFL sales (stores and E-commerce), which account for 79.6% of total sales, were down -11.7% (2017: -6.8%), due to the combined impact of a challenging and promotion-led UK market, declining high street footfall and internal factors.

International LFL sales declined, driven by similar challenges to the UK, with footfall down across our European markets and the focus of product away from our core customer.

Like-for-like (LFL) sales is the gross transactional value from LFL operations in any given period compared with the same period in the previous financial period and is normally shown as a percentage change between two periods. LFL operations consist of our New Look directly operated stores and our E-commerce segment (if applicable). A store is included in LFL operations if it has traded for more than 52 weeks, excluding existing stores where a new store of ours has opened within one mile (for the first 52 weeks of the new store's commencement of trading) or where the store has undergone a significant increase or decrease in trading space during the period. A store is included in the calculation of LFL sales from the date at any point during the financial year when it has the comparable weeks' data for the prior financial year. If a store is closed for a full week or more for any reason during a financial year, for example, due to refurbishment or permanent closure, it is excluded from the LFL calculation for the period of closure.

E-COMMERCE SALES

New Look has all the components needed to be a true multichannel retailer. We will continue to refine our offering to ensure we provide a completely consistent experience wherever, whenever and by whichever channel customers engage with us: in our stores, at newlook.com, via our mobile app, and through each of our 3rd Party E-commerce partners.

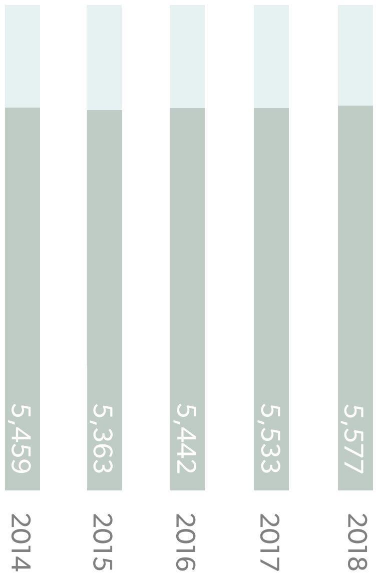
We continued to invest in improvements to the design, content and functionality of our transactional website at newlook.com and our mobile app. Following the launch of our new UK platform, traffic was impacted, as expected, as we temporarily dropped search engine rankings on generic terms. During the first half, we chased top-line sales at the expense of margin, offering higher discounts and increasing marketing spend. This strategy compromised our reputation for a completely consistent and truly seamless customer experience as it led to some prices being lower online than in store. In the second half, in line with our turnaround plan, we reduced marketing of discounted product and stopped offering new customer discounts. This resulted in lower traffic, a reduction in volume of orders, and an overall decline in sales – albeit at a more profitable margin.

Traffic and growth were impacted within our International websites following changes to our trading model that resulted in a reduction of marketing investment and limitation of our free delivery service option.

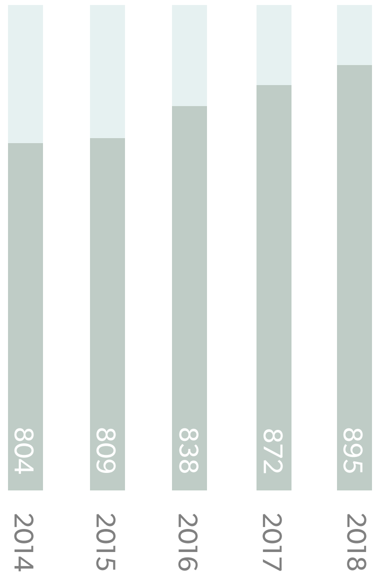
In FY18, E-commerce sales decreased by £44.2 million, (-19.2%), to £185.8 million (2017: £230.0 million). E-commerce declined as a share of total sales, -2.0% to 13.6% (2017: 15.6%).

During FY18, 36% (2017: 34%) of UK E-commerce orders opted for our Click and Collect service. This identifies the significant role played by E-commerce in driving footfall to our UK stores. As part of our turnaround initiatives, we have made changes to our delivery options to drive profit and also increase the prominence and customer appeal of our Click and Collect service, driving footfall into stores.

SPACE ('000 SQ FT)



TOTAL STORES



STORES AND SPACE

Across the Group, our total number of stores increased to 895 (2017: 872), with total space advancing by 0.8% to 5,577,000 sq ft (2017: 5,533,000 sq ft).

In the UK, 9 new store openings, 2 relocations and 10 closures (inclusive of the relocations) increased our UK store portfolio to 593 (2017: 592). We maintained careful consideration of all lease renewals as part of an ongoing evaluation of our store portfolio, with flexibility enhanced by an average remaining lease length across our UK estate of around 4 years.

On 21 March 2018, we announced the approval of a Company Voluntary Arrangement (CVA) aimed at right-sizing our UK store portfolio and addressing the over-rented position of the portfolio. This is a significant step towards delivery of our turnaround strategy, focused on returning the business to long-term profitability. We have identified 60 of our UK stores for potential closure, together with a further six sites which are sub-let to third parties.

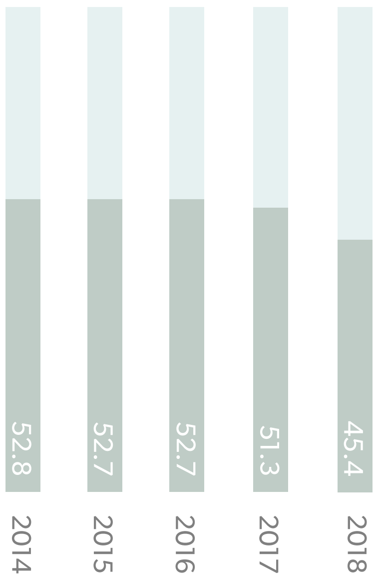
Despite these potential closures, we believe the extensive geographic reach of our remaining UK estate will continue to give us a competitive advantage. For, while growth in the UK apparel market is likely to be predominantly driven by online sales, our physical stores remain the primary customer touch-point within our multichannel model, with UK Retail accounting for 65.9% of total sales.

Internationally we opened 3 stores in France, with 2 closures and closed 2 stores in Belgium. In China we opened 52 stores and closed 14 as we continue to build on learnings and optimise our store portfolio in this market.

The total number of New Look franchise stores reduced to 69 (2017: 84) as a result of ceasing trade with two partners and store closures by another.

The net result of the above was a reduction in our International space to 1,404,000 sq ft (2017: 1,443,000 sq ft).

GROSS MARGIN (%)



GROSS MARGIN

We aimed to deliver a strong intake margin throughout FY18 by working closely with our strategic suppliers and committing seasonal stock further in advance. However, the upfront commitment of seasonal stock compromised our flexibility to buy into successful trends and we experienced delays in intake, both reducing the potential for sales at full price. Coupled with the tough market conditions and product related challenges, we were heavily reliant on promotional activity in order to drive footfall, inspire customer spending, and control our stock holding. The high levels of markdown required for additional promotions/discounts and clearance of terminal stock, to ensure a clean stock position for the new financial year, significantly impacted our gross profit margin.

Margin was also impacted by the increasing mix of E-commerce and 3rd Party E-commerce sales which have an inherently lower gross margin, combined with increased discounts.

As a result, gross profit declined £134.7 million to £612.1 million (2017: £746.8 million), with the resulting gross margin declining to 45.4% (2017: 51.3%).

Gross margin for E-commerce includes higher packaging and fulfilment costs than retail store sales, and all 3rd Party E-commerce sales are achieved at a lower gross margin. However, in comparison to stores, E-commerce benefits from lower administrative expenses and therefore contributes a higher underlying operating profit margin.

OPERATING PROFIT

Operating profit declined £228.9 million to a £152.5 million loss from a £76.4 million profit. During the period administrative costs increased 14.1% to £764.6 million (2017: £670.4 million).

Our operational exceptional items increased by £24.7 million to £28.2 million largely due to the abortive costs of our cancelled head office relocation, costs incurred as a result of the CVA, plus costs associated with dual running of certain contracts and aligning our operations to the strategic plan. See note 10 for details.

The charge for impairment losses increased £25.9 million to £26.9 million (2017: £1.0 million). The financial performance during FY18 represents a triggering event and therefore an impairment assessment of all assets held at a store level was undertaken to ensure the correct carrying value. As a result of this review, an impairment charge of £16.8 million was recognised to reduce the carrying value of property, plant and equipment and software licences held within stores. Impairment charges for property, plant and equipment of £6.7 million and intangible assets of £3.4 million were recognised outside of this review. See notes 13 and 14 for further details.

Our share based payment charge, reflecting the charge for the senior management incentive schemes designed to retain individuals key to the growth and future success of the company, increased by £7.2 million to £20.2 million (2017: £13.0 million) due to accelerated vesting, in accordance with IFRS 2 ‘Share based payments’, for management leavers, which resulted in a significant non-cash charge.

The charge relating to the movements in the fair value of financial instruments in the income statement was £1.9 million (2017: £0.4 million credit) as a result of movements in foreign exchange rates.

ADJUSTED EBITDA (£M)

The charge in relation to onerous leases declined £3.1 million to £1.0 million (2017: £4.1 million), with increases in relation to international stores partly offset by a release in relation to the UK stores following the CVA. See note 26 for further details.

Adjusting for the above, underlying administrative costs increased by £37.2 million to £686.4 million (2017: £649.2).

Staff costs (excluding exceptional staff costs and share based payment expense) increased by £8.1 million, primarily due to increases in China and the UK in line with the expansion in the number of stores and one-off costs in Support Centre functions. Increases in the UK due to National Living Wage were offset by operational efficiencies, such as reducing the number of times staff need to handle stock, and the rebalancing of staff levelling within stores.

Estate costs (including rent, service charges, rates, utilities and repair costs) increased by £12.2 million as a result of net space growth in the UK and the expansion in China. 2017 included £1.5 million of one-off credits.

Marketing costs decreased by £1.4 million as a result of our cost saving initiatives, with reduced investment in both Brand and Digital marketing during the second half of FY18 more than offsetting the increased spend of the first half.

Depreciation and amortisation increased £6.7 million as a result of investment in the Atlas programme and new Hybris E-commerce platform in recent years.

As part of the turnaround plan we have a renewed focus on costs going forward and have already identified and begun implementing significant sustainable cost saving initiatives as we move into the next financial year.

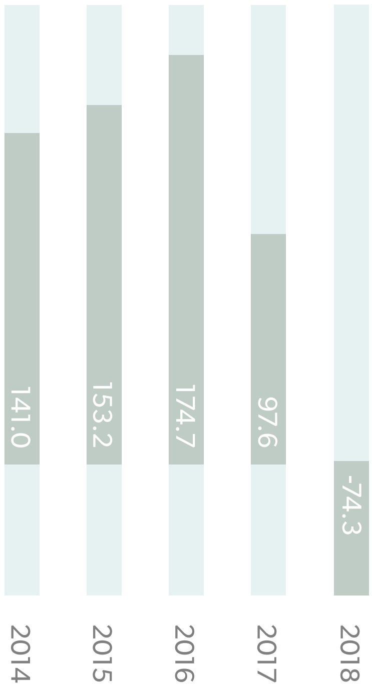
ADJUSTED EBITDA

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-IFRS measure referred to as Adjusted EBITDA. Management consider that Adjusted EBITDA reflects the trading performance of the Group, excluding the impact of capital investment. Adjusted EBITDA is operating (loss)/profit before exceptional items, share based payment charge or credit, the movements in fair value of financial instruments, the impairment charge or write back of tangible and intangible assets, the income statement charge or credit in relation to the onerous lease provision, depreciation and amortisation.

Adjusted EBITDA decreased by £165.7 million (-106.9%) to a £10.7 million loss (2017: £155.0 million profit). This was driven by the decline in sales and margin performance and the increase in our cost base, excluding the underlying items and depreciation and amortisation, as explained above.

During FY18, we incurred a number of one off costs, which management believe will not reoccur in FY19, but do not meet the definition of exceptional items. These items include additional stock provisions and write offs to clear stock purchased under the 'younger and edgier' direction, exit costs, bad debt provisions and other costs related to the turnaround strategy which are one-off in nature and do not represent the on-going performance of the business.

UNDERLYING OPERATING PROFIT/(LOSS) (£M)



UNDERLYING OPERATING PROFIT/(LOSS)

Underlying operating profit decreased by £171.9 million to a £74.3 million loss (2017: £97.6 million profit). This measure includes the impact of depreciation and amortisation when compared to Adjusted EBITDA.

Underlying operating profit/(loss) is a non-IFRS measure, and is calculated as operating profit before exceptional items, share based payment expense/credit, the movements in the fair value of financial instruments under IFRS, impairment charge or write back of tangible and intangible assets and the income statement charge/credit in relation to the onerous lease provision. See page 43 for a reconciliation back to Operating Profit.

PRE-TAX LOSS

In addition to the costs explained above, we also incurred net finance costs of £81.7 million (2017: £93.2 million), a decrease of £11.5 million.

This decrease reflects the decrease in the exchange rate loss on Euro Notes as a result of movements in the Euro rate. The revaluation loss (2017: loss) on Euro Notes has been partially mitigated by recycling from reserves the gain (2017: gain) resulting from the fair value movement of Euro cross currency derivatives, accounted for as cash flow hedges.

In addition to this, interest paid decreased as a result of the debt buyback during the prior year, which was offset by fees incurred in relation to the restrike and cancellation of swaps.

As a result, pre-tax losses increased £217.6 million to £234.2 million (2017: £16.6 million).

TAXATION

The income statement taxation credit for the period was £10.4 million from a £3.6 million charge in 2017.

There was a £0.1 million current tax charge (2017: £1.5 million charge) in the year. This was offset by a £2.6 million tax credit (2017: £0.7 million charge) relating to prior year adjustments to current tax, mainly driven by claims for research and development tax relief in respect of the year ended 25 March 2017 and the year ended 26 March 2016.

There was a £10.0 million tax deferred tax credit (2017: £3.5 million charge) in the year, primarily due to a disclaim of available UK capital allowances, movement in forward foreign exchange contracts which are used to hedge exchange risk arising from the Group's overseas purchases and a reduction in the recognition of overseas tax losses.

This was offset by a deferred tax charge of £2.1 million (2017: £2.1 million credit) relating to prior year adjustments mainly driven by a reduction in the amount of overseas tax losses.

The effective tax rate in the year is 4.4%, up from -21.4% in the prior year. The movement is largely driven by non-deductible expenses and losses not recognised.

In the March 2016 Budget the Government announced that it will introduce new rules to restrict the deductibility of net interest costs from 1 April 2017. The proposed changes were substantively enacted on 31 October 2017 and their effects are included in these financial statements.

PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment decreased £42.5 million to £101.2 million (2017: £143.7 million). The trading performance during FY18 represents a triggering event and therefore an impairment assessment of all assets held at a store level was undertaken to ensure that no assets were held above their carrying value. This resulted in an impairment charge of £16.6 million, with a further £6.7 million in the ordinary course of business. Additionally, depreciation exceeded additions resulting in a net decrease in the carrying value. See note 13 for further details.

TRADE AND OTHER RECEIVABLES

Trade and other receivables decreased £12.3 million to £78.1 million (2017: £90.4 million) driven by a £14.3 million decrease in prepayments. Following the approval of the CVA, the March rental payment, usually a quarterly payment, was based on the new reduced values and only a monthly payment. See note 16 for further details.

PROVISIONS

Provisions increased £4.3 million to £15.2 million (2017: £10.9 million). Onerous lease provisions in relation to the international stores grew as a result of current performance; this was partly offset by a release of the onerous lease provision held in relation to the UK stores, triggered by the approval of the CVA and a release of the provision held in relation to the Wells and More London office. In addition to this, a provision of £5.7 million was recognised in relation to onerous contracts as a result of the aborted move to King's Cross. £5.6 million of this has been utilised within the period.

An exceptional provision of £2.9 million (2017: £nil) was also recognised in connection with the CVA, reflecting the exit costs associated with the 60 store closures and the compromised lease fund offered to landlords as part of the CVA proposal. See note 26 for further details.

DERIVATIVE FINANCIAL INSTRUMENTS

Net derivative financial instruments decreased from a £48.1 million asset to a £19.2 million liability. During the period ended 24 March 2018, the Group cancelled all 4 currency swap arrangements, previously designated as cash flow hedges of the interest rate and currency exchange risk associated with the Group's Euro floating rates notes. Net proceeds of £36.0 million (2017: £nil) were received. The Group is now unhedged against the interest rate and currency exchange risk associated with the notes. The closing liability represents the Group's remaining foreign currency contracts and embedded derivatives, see note 23 for further details.

NET DEBT

In FY18, net debt increased by £120.5 million to £1,265.4 million (2017: £1,144.9 million).

During the year, the Group fully drew down on the revolving credit facility (RCF), resulting in a cash inflow of £100.0 million (2017: undrawn).

Additionally, during the period, the Group signed an agreement with its core operational bank to provide £100.0 million (previously £78.0 million uncommitted) of Operating (liquidity, trade and import) Facilities on a committed basis (pari passu with the RCF). As at 24 March 2018, the Group had £23.1 million (2017: £53.1 million) available under these facilities.

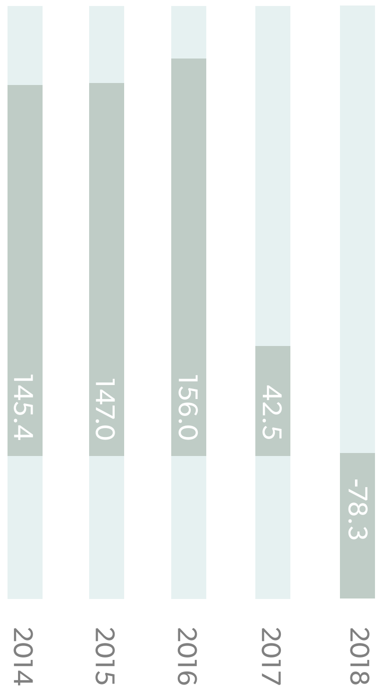
Together with the existing committed £100.0 million RCF, this puts in place a total of £200.0 million of committed facilities.

FREE CASH FLOW

Free cash flow decreased by £120.8 million to a £78.3 million outflow (2017: £42.5 million inflow). This reflected the decrease in operating profit, which was only partially offset by cash inflows from working capital.

Free cash flow, a non-IFRS measure, is cash flow from Group operating activities (pre-tax) less net investing activities. We believe that free cash flow assists in understanding our trading performance as it represents the amount of cash generated before tax, but after investment on net capital expenditure, by our trading activities.

FREE CASH FLOW (£M)



OUTLOOK

The year ahead at New Look will be characterised by a resolute commitment to consolidation and recovery. We have started FY19 with a clean stock position, allowing us to relaunch with a strong full price Spring/Summer offer.

Six areas of strategic focus will form the foundation of our trading turnaround:

(1) Return to proven broad appeal product
(2) Lower prices delivering better value
(3) A cohesive multichannel model
(4) A fundamentally realigned supply chain
(5) Efficiency & cost savings
(6) People

We will also further enhance our distribution and IT infrastructure to support all operations and drive their future growth.

While the market continues to be highly competitive and unpredictable, we are taking the necessary actions to address performance issues and return the business to long term profitability. Although we remain cautious, we are confident in the strength and appeal of the New Look Brand and our ability to deliver a successful recovery.

RISKS AND UNCERTAINTIES

RISKS AND UNCERTAINTIES

New Look considers effective risk management fundamental to achieving business objectives, protecting reputation and delivering added value.

RISK MANAGEMENT

To support operational management, the Board has created a practical framework set out in its Risk Management Policy. This provides a clear structure for managing risk across the Group and ensures 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 in the management of risk, integrating it into everything we do and all important decisions we take.

PRINCIPAL RISKS & UNCERTAINTIES

It is recognised that the Group at any point in time is exposed to a number of risks.

Following our disappointing performance in FY18, we've established a series of measures to deliver recovery and return the business to profitability. These include refocusing on broad appeal and value in our product offering, plus a cohesive multichannel model and a realigned supply chain. Additionally, operational efficiencies and cost saving initiatives have been identified and actioned.

The following table details the most significant risks as identified by the Board together with the relevant mitigation.

It should be noted that any system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Going concern has been considered and is discussed within the Directors' Report on page 28.

Risk Type	Description of Risk	Risk Mitigation
Financial Stability	• Challenging operating environment impacting our financial performance. • Inability of the Group to maintain the financial stability required to operate its business and deliver objectives. • Disappointing performance causing suppliers to request amendments to the terms of our agreements – adversely impacting our working capital and operating cash flow.	• Business turnaround in place ensuring stability and minimising business and operational risk. • Efficiencies and cost savings identified and actioned; further EBITDA improvements to be delivered during the duration (3 years) of the approved CVA. • Continuous review of cost saving initiatives and efficiencies. • Ongoing dialogue with third party partners and suppliers to maintain commercial alignment and mitigation of cash flow risk.
Treasury, liquidity and credit risks	• Inability to meet current and future financial liabilities. • Our liquidity and the financing required for day-to-day operations constrained by our highly levered financial profile. • Exposure to the effect of fluctuations in foreign exchange and interest rates. • Default by counterparties to financial transactions. • Deteriorating credit ratings hindering our ability to obtain future credit and impacting credit insurance availability to our suppliers.	• Centralised treasury function responsible for managing key financial risks, cash resources and the availability of liquidity and credit capacity. • Treasury Management Policy in place. • Rigorous budget-setting process, based on accurate, intelligent information. • Treasury Committee weekly meeting along with robust Treasury management controls. • Robust financial modelling along with continuous review of model assumptions. • Delegated Levels of Authority approved and published. • Enhanced dialogue with all stakeholders, explaining New Look's financial position and recovery progress.
Trend Spotting and product development	• Inability to respond swiftly to changing customer preferences and key trends. • Failure to sustain the appeal of our brand and product proposition. • Failure to deliver compelling fashion at attractive prices leading to potential loss of margin through higher markdowns.	• Effective target customer profiling to better inform buying decisions. • Stronger integration between buyers, designers and suppliers. • Robust and transparent process for trialling and evaluating emerging trends and reviewing feedback mechanisms. • Development of open costing approach to ensure our value offering is maintained. • Brand relaunch (completed in April 2018) to re-establish the focus on broad appeal and value fundamental to New Look's success. • Ongoing improvements to streamline and strengthen buying process. • Shorter lead times reducing our reliance on early trend spotting. • Ongoing 'Customer Insight' program designed to deliver effective feedback.
Talent Management	• Shortage of (or failure to recruit) top talent to run our day-to-day operations. • Difficulty recruiting talent in overseas markets. • Failure to attract, develop and retain talented staff, heightened by our recent financial underperformance.	• Regular reviews of management structure ensuring capability and succession. • Effective identification of emerging talent, and support for career development. • Regular, effective performance reviews, leadership assessments, training and development. • The Board ensures appropriate incentive plans are in place. • Enhanced internal communications program regarding our turnaround plan. • Improved working conditions including Smarter Working Initiative.
Cost Inflation	• Escalation of supply chain costs rising from factors such as wage inflation, foreign exchange rate movements, changes to tariffs and duties or increases in raw material prices. • Increased fuel and energy costs, impacting on distribution or store and head office operational costs.	• Wage increases offset by improvements in productivity and identification of alternative suppliers where required. • Geographical diversity of supply chain portfolio. • Continuous review of cost saving initiatives and efficiencies.
Trading Internationally	• Failure to develop products equally appealing to our domestic and international markets. • Failure of our product ranges, value proposition and brand image to achieve acceptance in international markets. • Difficulties finding appropriate locations, talent and customers in new markets.. • Cultural, language and time differences creating communication difficulties across our international workforce. • Compliance issues arising from numerous and potentially conflicting international legal standards, regulations and policies. • Increased complexity of Group Structure.	• Recruitment of local workforces. • Effective, consistent training and support for all new employees. • Consistent effort to instil international focus in all aspects of planning and strategy. • Due diligence completed on all new market entries. • Targeted marketing to bring the brand front of mind for international consumers. • Wholesale arrangements with 3rd Party E-commerce partners offering low risk entry to new markets. • As an established AEO ("Authorised Economic Operator") New Look is well placed to benefit from any future EU customs regulations.
Brexit Uncertainties	• Operations and financial condition impacted by Brexit-related uncertainty and a further loss of consumer confidence, this includes potential lost access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members, restricting the flexibility and ease of trading with Europe.	• Cross-functional Brexit monitoring group, reporting directly to the Board, established to assess potential impacts and ensure appropriate action.

Risk Type	Description of Risk	Risk Mitigation
Supply Chain Management	• Lack or loss of speed and flexibility in the supply chain, leading to greater risk in buying decisions and potential loss of margin through higher markdowns. • Failure to accurately predict consumer demand leading to excesses or shortfalls in inventory levels. • Disruption to supply chain arising from strikes, civil unrest, political turmoil or natural disasters. • Over-reliance on key suppliers leading to a shortfall in inventory due to a supplier failure. • Concerns over our financial strength resulting in suppliers discontinuing or seeking to renegotiate a New Look relationship, thus impacting the Group's liquidity and cash flow. • Inability to recover losses suffered as a result of a counterparty's insolvency or bankruptcy.	• A clearly defined Sourcing Strategy in place. • Strong and robustly supported sourcing team responsible for maintaining an efficient and effective supply chain. • Shorter lead times ensuring greater Open-to-Buy flexibility and the ability to react more quickly to successful trends. • Suppliers treated as key business partners, working to shared objectives in lead times, quality control and employment practices. • Regular review of supply chain and routes maximising flexibility and sustaining fulfilment of product demand across all channels. • Identification of alternative suppliers where required and proactive management of terms discussion to mitigate cash impact. • Enhanced dialogue ensuring suppliers' full awareness of New Look's recovery progress.
Regulatory Compliance	• Breaches of regulations or legal requirements, leading to significant fines and reputational damage. • Changes in the regulatory landscape adversely affecting our financial condition and operations. • Failure to effectively manage product quality and safety.	• Continuous monitoring of legal and regulatory developments by our legal team. • Key risks and regulatory developments presented to the audit committee twice each year. • Compulsory Health & Safety training for all staff. • Health & Safety inspection program in place. • Compulsory Anti-bribery, Corruption and Fraud training for all staff. • Gifts and Hospitality Register in place. • Vendor onboarding checks completed. • Factory audit program in place, with action plans agreed to address any shortcomings. • Working groups established to ensure implementation of new legislation and monitor compliance; further review by our internal audit function. • Modern Slavery Statement published annually to set out compliance with legal requirements. • A newly implemented GFR Supplier Agreement covers the importance of product quality and safety.
Information Security and Data Protection	• Data protection failure leading to prosecution, fines and reputational damage. • Risk of unauthorised data usage or malicious cyber-attack. • Systems failure compromising security or fulfilment of online transactions.	• Technical IT controls including configured firewall, network patching and anti-virus software. • Back-up procedures in place to deal with any short-term or specific loss of data. • IT Disaster Recovery Plan in place. • Provision of secure externally hosted data storage facilities. • Qualified IT Security Team in place. • IT Security Policies produced and published. • Mandatory 'Information Security around the workplace' training module completed by all staff annually. • Data Protection Officer appointed. • GDPR Project Plan developed with dedicated steering and working group.
Corporate Social Responsibility	• Ethical or quality standards failure within the supply chain, leading to reputational damage	• Clearly defined Corporate Social Responsibility Policy in place. • Dedicated in-house CSR team. • Structured audit processes at factories throughout our supply chain, conducted by internal and external teams, plus support for suppliers working towards full compliance with our ethical aims. • Pro-active membership of the Ethical Trading Initiative.
Business Continuity / IT Disaster Recovery	• Failure to recover from a disaster scenario in a controlled and managed way affecting our business operations.	• Business Continuity Incident Management Team Protocol in place. • Incident Management Plans in place for all key sites. • Third party contractor retained for Disaster Recovery Services. • IT Disaster Recovery Plan in place.
Multichannel	• Failure to meet customer expectations across all channels undermining our multichannel proposition. • Lack of cohesion between channels compromising the consistency of customer experience. • Compromise of brand identity or loss of pricing control arising from 3rd Party E-commerce platforms. • Increasing mix of e-commerce channels leading to lower gross margins.	• Established symbiotic relationship between stores and E-commerce trading channels ensuring consistency and full alignment across all customer touchpoints. • In-house fulfilment operation maximising control, flexibility, efficiency and cost-containment. • Effective use of data analytics and other research tools, plus close monitoring of customer feedback on social media platforms and other channels. • Formal agreements in place with all 3rd Party E-commerce partners. • Gross margin improvement strategy in place. • Delivery and fulfilment costs closely monitored.

CORPORATE SOCIAL RESPONSIBILITY

Trading ethically is central to the way we do business

SHARING STANDARDS ACROSS OUR GLOBAL SUPPLY CHAIN

It takes a complex, truly global supply chain to manufacture and deliver all the stylish products our customers love.

During FY18, our top 20 suppliers accounted for 84% of New Look production. But, in total, we sourced clothing, footwear and accessories from a network of 196 suppliers and 770 factories across 25 countries.

We know collaboration is key to addressing the challenges faced by a supply chain of such scale. We place workers at the centre of our thinking; we're committed to engaging with them, listening to them, and supporting them. But to raise standards and deliver real and sustainable improvements in working conditions and livelihoods, we can't and don't act alone. We believe in building meaningful relationships with our suppliers, and we partner a range of other brands, non-governmental organisations (NGOs), government initiatives and local experts. As long-time members of the Ethical Trading Initiative (ETI), we've adopted its Base Code as our Ethical Aims. Through communication with fellow members, and sharing of best practices, this is just one of the platforms that help us work towards addressing challenging issues in key sourcing countries.

We want all workers to earn a living wage – an amount that's sufficient to meet their basic needs, support themselves and their families, and provide some discretionary spending power too. Again, it is only through collaboration between key stakeholders that this aim can be delivered. We're members of ACT (Action, Collaboration, Transformation) – a ground-breaking agreement between global brands, retailers and trade unions striving to transform the global garment and textile industry and achieve living wages for workers through industry-wide collective bargaining linked to purchasing practices.

As part of our continuing drive to protect workers and raise workplace safety and labour standards, we've renewed our commitment to the Transition Accord in Bangladesh, where we've now achieved a 92% progress rate across our active supply chain.

In the UK, we're proud that many other retailers and brands have joined the Fast Forward initiative we co-founded in 2013 to drive and support local manufacturing. We've taken a number of steps with public authorities and industry bodies to raise awareness of social compliance and drive stakeholders towards building and promoting a truly sustainable UK garment industry of which we can all be proud.

EQUAL OPPORTUNITIES

Not only in our stores and support centres, but right across our global supply chain, we actively promote equality. We want everyone to have the same opportunities, treatment and rewards – regardless of gender, age or social status.

Across our stores and support centres we are committed to equal and fair working practices, ensuring no job applicant or team member is discriminated against, directly or indirectly, on grounds of disability, gender, nationality, ethnic or racial origins, marital status, religious belief, political opinion, age or sexual orientation. It's our policy to give equal opportunity of employment and career development to disabled and able persons according to their suitability to perform the work required and the services of existing colleagues who become disabled are retained whenever practicable. New Look is an active participant in the Employers' Network for Equality and Inclusion.

We appreciate that, in many of the countries from which we source, gender issues are intrinsically linked to social, economic, historical and cultural factors. So we facilitate conversations within factories to better understand local factors. We believe engagement and education are vital to tackling discrimination and bias on the factory floor (where invariably the vast majority of workers are women), and we've been working with a number of partners to train supervisors on the clear benefits of equality and gender empowerment.

Our no-discrimination approach extends to our refugee policy and remediation plan, through which we're committed to making sure any refugees in our supply chain are employed on a formal basis, subject to correct legal procedures and fair working conditions. This has become especially relevant in Turkey, which has absorbed millions of refugees fleeing conflict in Syria.

MODERN SLAVERY

We operate a zero-tolerance policy towards any form of modern slavery, forced or compulsory labour and human trafficking within our own operations or anywhere in our supply chain.

We recognise that modern slavery is a global issue to which no economy, industry or sector is immune. But we require all New Look suppliers, factories, agents and units to commit and demonstrate continued adherence to our Ethical Aims, which specifically prohibit all forms of modern slavery and set out our threshold standards for fair and safe working conditions. These are aligned with the International Labour Organisation's conventions and the ETI's Base Code.

We welcome the UK's statutory reporting obligations (contained in the Modern Slavery Act, 2014) as a driver for transparency and consistency of approach. See our latest Modern Slavery statement on our website at http://www.newlookgroup.com/sustainability/modern-slavery-statement

ANIMAL WELFARE

We support industry initiatives that share our stance on animal welfare and our drive to address the challenges of traceability.

We are committed to animal husbandry that respects animals' wellbeing at all times during the production of animal-derived materials. Although we have a strict policy that forbids the use of certain animal-derived products, such as fur or angora wool, some New Look products do contain animal-derived materials such as leather or feathers. Any such materials must only be by-products from the food industry, and produced with high standards of animal husbandry.

ENVIRONMENTAL IMPACT

Although the scale of our business and the complexity of our supply chain can make it hard to contain our environmental footprint, we recognise our responsibility to do all we can to reduce the impact on the planet by our activities.

We're involved in collaborative projects geared to delivering meaningful change. We are a member of the Better Cotton Initiative (BCI), which exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. In 2017 we managed to source over 5% of our total cotton as Better Cotton, and we started sourcing organic cotton for our basic jersey.

We've also teamed up with NGO Canopy Planet to develop a forest and fabric policy to protect the world's remaining ancient and endangered forests.

Aware of the environmental impact of leather tanning, we've joined the WWF's Ganges Leather Buyers Platform which aims to reduce pollution from tanneries along the Ganges River and support more sustainable leather production.

Across our retail estate, Building Management Systems are helping us monitor, control and reduce energy consumption in compliance with the Carbon Reduction Commitment. We continue to fit energy-efficient LED lighting as standard in our new and refurbished stores.

CHARITABLE GIVING

We encourage our people to volunteer their time and raise money to support good causes through the New Look Foundation. In the UK (where we're currently partnering Macmillan Cancer Care and the Teenage Cancer Trust), teams in our stores and support centres raised over £160,000 during the period through a host of fun activities including the London marathon, coffee mornings, the Big Bike Weymouth to Lymedale challenge and a team golf day. Some courageous team members even braved a sponsored leg waxing!

TEENAGE CANCER TRUST

WE ARE MACMILLAN. CANCER SUPPORT

Wherever in the world we do business, we're specially committed to improving the lives and wellbeing of all workers and their families. We're currently partnering community projects in India to provide schooling, healthcare and skills development. In deprived areas of Uttar Pradesh, for example, we've been working with the Pardadi Education Society to help establish a new purpose built space for training garment workers.

The Strategic Report presented on pages 11 to 27 is approved by the Board.

On behalf of the Board,

A K McGeorge.

Alistair McGeorge
Executive Chairman

7th June 2018

DIRECTORS' REPORT

The Directors present their report and the audited, consolidated financial statements for the 52 weeks ended 24 March 2018.

DIRECTORS

The Directors whose details are set out on pages 32 and 33 are the current Directors of the Company.

During the financial period, the following persons were also Directors of the Company:

Anders Kristiansen Chief Executive Officer of the Board resigned on 1 September 2017.

Danny Barrasso Managing Director UK & Republic of Ireland resigned as an Executive Director of the Board on 9 February 2018.

Alastair Walker resigned as Non-Executive Director of the Board on 31 March 2018.

Dr. Christo Wiese and Jacob Wiese resigned as Non-Executive Directors of the Board on 8 May 2018.

Sean Dougherty resigned as Non-Executive Director of the Board on 7 June 2018.

GOING CONCERN

In assessing the Group and the Company's going concern status the Directors have taken into account the Group's forecasted trading results and related cash flows and progress made against the Group's turnaround plans (details of which are included within the Year in Review on pages 12 and 13).

Despite the disappointing performance for the period ended 24 March 2018, the Directors are confident that a sustained upturn in trade will be achieved following the launch of the turnaround plan. This robust plan delivers significant identifiable cost savings which the Directors have confidence of achieving; specifically the rent reductions resulting from the CVA. Further efficiencies and cost savings have already been identified and implemented providing the Directors with further confidence that these will also be delivered. FY18 trading was impacted by certain non-recurring costs which are only relevant for the current period. In addition, the revised trading, product and supply strategy is underway and further supported by a brand relaunch in April 2018. If the projected results are achieved then the Group has adequate resources to continue its operations for the foreseeable future and to meet its obligations as they fall due. In addition, following the amendments to the terms of the indenture and facilities agreement as part of the CVA, there remains a basket for additional permitted indebtedness, including £60.0 million of secured facilities.

Given the current external economic headwinds which all retailers are experiencing, the Directors have also considered the impact on the Group if the trading results do not recover as quickly as projected. Management have modelled a range of sensitivity scenarios including delays to an improvement in trade as a result of external factors such as lower consumer confidence and reduced footfall.

Management have also reviewed the latest trading results since the brand relaunch in April 2018. Whilst early indications are positive it is difficult to conclude with sufficient certainty that the projected level of trading improvement will be achieved given the short period of time since this relaunch. While the cost saving initiatives will significantly improve the financial results of the Group, there will be challenges over the Group's ability to continue as a going concern if it is not able to improve the trading performance.

After making appropriate enquiries and considering the uncertainties described above, the Directors consider that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. If results fall short of projected expectations and the Group cannot access the additional liquidity this would obviously give rise to a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

LAND AND BUILDINGS

The Directors believe there is no material difference between the market value and net book value of freehold land held by the Group.

PRINCIPAL ACTIVITIES

The principal activity of the Group is multichannel retailing. A review of the Group's business is set out in the Strategic report as set out on pages 11 to 27. The Company acts as a holding company for the Group.

FUTURE DEVELOPMENTS AND BUSINESS ANALYSIS

Future developments and an analysis of the development, performance and position of the Group's business are disclosed in the Chairman's statement on page 9 and the Strategic report.

EMPLOYEE POLICIES

The Group's policies regarding employees are included in the Strategic report.

DIVIDENDS

The Group paid dividends of £0.6 million (2017: £11.6 million) in the financial period to facilitate the buyback of shares from management leavers (see note 12). The Directors do not recommend the payment of a final dividend (2017: £nil).

FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND OBJECTIVES

Risk management objectives and policies related to financial instruments are disclosed in note 3 to the Group financial statements on pages 53 to 55.

PAYMENT OF SUPPLIERS

The Group's creditor days as at 24 March 2018 were 46 days (2017: 55 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 (2017: £nil).

EVENTS AFTER THE REPORTING PERIOD

On 10 May 2018, New Look Retailers Limited ('NLR') (a wholly owned subsidiary of New Look Retail Group Limited) and Brait Capital International Limited ('BCIL') entered into a Debtor Purchase Agreement ('Agreement'). The terms of the Agreement allow NLR to sell and assign approved debtor balances to BCIL with no recourse. A factoring charge of 3 month LIBOR plus 2.0% is payable. Since the signing of this agreement, NLR has sold and assigned £10.6 million of invoices to BCIL. The invoices sold under this arrangement relate to the sale of stock after the period end date of 24 March 2018, therefore there is no financial impact on the period reported. This arrangement has resulted in a working capital benefit to the Group.

INDEMNITY INSURANCE

The Company maintains qualifying 3rd party indemnity provisions for its Directors and officers; this was in place for the financial period ended 24 March 2018 and up to the date of approval of the Directors' report.

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 relevant audit information of which the Company's auditors are unaware;

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 relevant 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.

By order of the Board,

Laura Battley
Company Secretary

7th June 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

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 52 week period. 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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Company and of the profit or loss of the Group and Company for that period.

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

select suitable accounting policies and then apply them consistently;

state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

make judgements and accounting estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company 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.

On behalf of the Board,

A K M'George .

Alistair McGeorge
Executive Chairman

7th June 2018

THE BOARD

Alistair McGeorge
Executive Chairman

Alistair McGeorge was appointed to the Board of Directors on 6 November 2017 when he took up the role of Executive Chairman. Previously he spent two-and-a-half years as Executive Chairman of New Look from 2011, plus another eight months in a non-executive role until May 2014. He was pivotal in the Company's turnaround during this period ahead of its sale to Brait. Prior to joining New Look he was CEO of Matalan and CEO of Littlewoods as well as Managing Director at BIGW.

Richard Collyer
Chief Financial Officer

Richard was appointed to the Board of Directors in December 2016 when he took up the role of Chief Financial Officer. Richard first joined New Look in 2008 and has held a number of senior roles at New Look including Group Finance Director and Managing Director for Mim. Prior to joining New Look, he worked at PricewaterhouseCoopers in both Audit and Transactions.

Roger Wightman
Chief Creative Officer

Roger was appointed an Executive Director of the Board on 25 June 2015. Having originally joined New Look in February 1990, Roger has held a number of senior roles including Head of Buying - Womenswear and Group Buying Director - Womenswear and Brands.

John Gnodde
Non-Executive Director

John was appointed to the Board as Non-Executive Chairman in June 2015. He became CEO of Brait South Africa Proprietary Limited on 2 March 2011, having previously been CEO of Brait Private Equity as well as a Principal for Brait III and IV. As well as representing Brait on the boards of over 25 private and public companies, he has managed Brait I, II and III and led the fundraising and investment programme for Brait IV.

Tom Singh
Non-Executive Director

Tom founded the New Look business in 1969 and retained 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 re-joined the executive team as Commercial Director, leading its buying, merchandising, design and sourcing functions until May 2014. In 2014, Tom stepped into the role of Interim Non-Executive Chairman, before reverting back to his current role as Non-Executive Director.

Anna Singh
Non-Executive Director

Anna joined the Board as a Non-Executive Director in December 2015. She is co-founder of Chinti and Parker, a British luxury ready-to-wear label producing ethical garments with a fashion edge – a brand now sold in more than 130 stores worldwide, including Harrods and Liberty, and online at Net-a-Porter. Previously, Anna co-founded Pout, a British luxury cosmetics business that grew from a single flagship store in Covent Garden to an internationally recognised brand sold in more than 450 department stores and boutiques worldwide.

Christopher Seabrooke
Non-Executive Director

Chris Seabrooke was appointed to the Board of Directors on 8 May 2018. He has been a director of over 25 listed companies. He is currently CEO of Sabvest Limited, Chairman of Metrofile Holdings Limited, Net1 UEPS Technologies Inc, Torre Industries Limited and Transaction Capital Limited, Deputy Chairman of Massmart Holdings Limited and a director of Brait SE, Datatec Limited, Rolfes Holdings Limited. He is the Non-Executive Chairman of Brait South Africa Proprietary Limited and a Non-Executive Director of Brait SE's four main investee companies, namely Virgin Active, Premier Group Limited, Iceland Foods and New Look. He is a former Chairman of the South African State Theatre and former Deputy Chairman of the inaugural National Arts Council of South Africa.

Bruce Baisley
Non-Executive Director

Bruce joined the Board as a Non-Executive Director in June 2015. Having joined Brait South Africa Proprietary Limited in 2001, he has been responsible for investments primarily in technology and consumer focused businesses. Bruce currently holds board positions at Brait South Africa Proprietary Limited, Consol Holdings Limited, DGB Proprietary Limited and Virgin Active. He was previously a director of Pepkor Holdings Proprietary Limited.

Paul Gilbert
Non-Executive Director

Paul was appointed to the Board of Directors on 17 May 2018. He is Senior Independent Non-Executive Director of The Gym Group plc, and has previously held roles as Chief Financial Officer (CFO) and acting Chief Executive Officer at Matalan, CFO at TJ Hughes and CFO at National Car Parks.

Alistair McGeorge

Anna Singh

Richard Collyer

Christopher Seabrooke

Roger Wightman

Bruce Baisley

John Gnodde

Paul Gilbert

Tom Singh

FINANCIAL STATEMENTS

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

Report on the audit of the Group financial statements

Opinion

In our opinion, New Look Retail Group Limited's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 24 March 2018 and of its loss and cash flows for the 52 week period (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.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated balance sheet as at 24 March 2018; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. The uncertainty surrounding future trading and the ability of the Group to achieve the objectives of the turnaround plan, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Explanation of material uncertainty

Note 2 to the financial statements details the Directors' disclosures of the material uncertainties relating to going concern. As described in note 2, the going concern status of the Group is dependent on the success of the turnaround plan, including; an improvement in trade; the implementation of identified cost savings and efficiencies; and whether the Group is able to access an additional £60.0 million of finance if required. Given the risks and uncertainty associated with the realisation of the turnaround plan and the ability to access additional financing, the Directors have drawn attention to this in disclosing a material uncertainty relating to going concern in the basis of preparation to the financial statements.

What audit procedures we performed

In concluding there is a material uncertainty, our audit procedures included:

- Regular discussions with the Directors on the turnaround plan and the consideration of the cost savings, efficiencies and one-off items identified in the period;
- Challenging the appropriateness of management's forecasts, including assessing accuracy of historical forecasting, performing sensitivity analysis for the impact of downside risks and challenging the reasonableness of assumptions applied in management's forecasts;
- Considering the consistency of management's forecasts with those used in other financial modelling including the Intangible Assets impairment model;
- Reviewing the terms of the Group's financing facilities to ensure consistency with the information disclosed; and
- Reviewing the wording of the going concern statement, including the material uncertainty, and assessing its consistency with the cash flow forecasts and borrowing facilities.

Our audit approach

Overview

- Overall Group materiality: £2,500,000, which equates to 0.2% of revenue.
- We performed an audit of the complete financial information of 2 full scope components and audit procedures in respect of 9 specific scope components, and the Group's consolidation.
- The full and specific scope components accounted for 86% of Group revenue (the measure used to calculate materiality) and 78% of Group loss before taxation.
- All entities, with the exception of China, in full and specific scope are managed from one central location in the UK. All audit work is undertaken by the UK engagement team.
- Onerous lease provisions may not be complete and store fixtures and fittings may be impaired.
- Carrying value of inventory may exceed its net realisable value.
- Carrying value of brands and goodwill may be impaired.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty relating to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Onerous lease provisions may not be complete and store fixtures and fittings may be impaired The Group operates 826 owned stores across 6 countries giving rise to a diverse leasehold property portfolio. The current trading performance of the Group's store portfolio and continuing economic uncertainty heightens the risk of loss making stores. An onerous lease provision is required where the forecast discounted cash flows for a store are not expected to cover the present value of future payments due under the store's lease contract. Poor performing stores are also an indicator that store fixtures and fittings may not be recoverable. As at 24 March 2018 the net book value of fixtures and fittings held by the Group was £93.1 million, as disclosed in note 13 to the financial statements. As described on page 11, a Company Voluntary Arrangement (CVA) was approved on 21 March 2018 to improve the operational performance of New Look Retailers Limited (the primary trading entity within the Group). New Look has identified 60 out of its total 593 stores in the UK for potential closure, along with a further 6 sites which are vacant, some of which are sub-let to third parties. The agreement includes a reduction in rental costs and revised lease break terms across a further 393 stores. The impacts of the CVA have been reflected in management's assessment of onerous lease provisions and impairments within the UK store portfolio. Onerous lease provisioning As detailed in note 26 to the financial statements, the Group holds provisions relating to onerous lease obligations of £10.8 million. Judgement is involved in assessing the completeness of the provisions. Loss making stores at a cash EBITDA level are included within the provision calculation. The key assumptions applied by management in estimating this provision are: • the discounted cash flows based on individual store strategy; • the length of void periods; and • country specific discount and growth rates. Impairment of store fixture and fittings As detailed in note 13 to the financial statements, fixtures and fittings impairments of £23.3 million have been recorded in the period. Difficult trading performance during the period, which was considered a triggering event, resulted in management performing an impairment review across the entire store portfolio. Management have performed a value in use calculation to determine the recoverable value at an individual store level, as each store is considered to be a cash generating unit ("CGU"). The value in use calculations rely on management's assumptions and estimates of future trading performance. The key assumptions applied by management in their store fixtures and fittings impairment reviews are: • country-specific discount rates; • store costs, including rent, staff payroll, general operating costs and an allocation of central overheads; • forecast future capital expenditure; and • forecast trading performance and growth.	Onerous lease provisions We performed procedures to identify store leases which could be considered onerous due to the store being loss making, vacant or those showing a marginal profit. We compared our assessment to that prepared by management to assess the completeness of the provision. We held discussions with individuals outside of finance to establish the longer term strategic plans for stores, particularly international stores, which have been identified as potentially onerous by management but not included within the provision. For UK stores, the strategy has been assessed in line with the CVA agreement to make sure it is consistent. We have tested, on a sample basis, the inputs feeding into the discounted cash flow forecasts for these stores and the mechanics and mathematical accuracy of the calculations. Impairment of store fixture and fittings We have considered the completeness of the review performed by management by comparing the number of stores included within management's impairment assessment to the total number of stores. We have challenged management and tested the impairment models and calculations by performing the following: • testing the mechanical accuracy of the impairment models; • assessing the discount rates applied to the impairment reviews for each country and comparing the rates to our benchmarks of market data which were assessed in conjunction with our valuation experts; • comparing forecast growth rates to budget and assessing long term growth rate for reasonableness; • challenging key inputs into the value in use computation, namely forecast sales growth and margin by reviewing both past performance, the budget and our understanding of the Group's strategic initiatives and the rationale for future assumptions; • assessing other key assumptions made in the models, including the value in use period, future capital expenditure and whether group overheads have been appropriately allocated; and • testing the underlying data included in the models on a sample basis. No material issues have been identified from the procedures performed over the period end onerous lease provision, the charge for impairment of store fixtures and fittings for the period and the period end carrying value of store fixtures and fittings.

Carrying value of inventory exceeds its net realisable value

As shown in note 15 to the financial statements, the Group held inventories of £149.1 million at the period end. As described in the summary of significant accounting policies in note 2 to the financial statements, inventories are valued at the lower of cost and net realisable value.

Poor trading performance and stronger use of mark down strategies combined with the nature of the fast moving fashion industry inherently means there is a risk of inventory falling out of fashion, which could prove difficult to sell above cost.

As a result, management apply judgement in determining the appropriate provisions for inventory based upon a detailed analysis of slow moving inventory, obsolete inventory, and inventory with a cost in excess of net realisable value. This is considered in conjunction with plans for inventory to go on sale or promotion.

We consider the assessment of inventory provisions to require significant judgement and with challenging trading performance and the increase in inventory lines written off during the period, the risk around the completeness of inventory provisioning remains a focus area for the audit.

We reconciled the inventory values used in the provision calculations to the general ledger and reperformed management's calculations to ensure mathematical accuracy.

We obtained evidence over the quantities of inventory through assessing the Group's controls by attending inventory counts at the distribution centre and at a sample of stores and reviewing a sample of results of those counts not attended.

We tested a sample of inventory to determine whether it is held at the lower of cost and net realisable value, through comparison to pre and post period end sales prices via the New Look website.

We understood the methodology used to calculate the inventory provisions and determined it was consistent with that applied in the prior period.

For aged inventory we obtained an ageing summary of inventory which we reconciled back to the general ledger. We then tested a sample of items to validate the accuracy of the ageing applied in this summary.

We assessed the level of aged inventory at 24 March 2018, and reviewed subsequent sales to check the reasonableness of the judgement involved in the provisions applied to the period end inventory valuation.

We performed sensitivity analysis for key assumptions.

Nothing arose from our work to suggest that the inventory provisions recorded were materially misstated.

Carrying value of brands and goodwill may be impaired

The Group balance sheet includes £365.3 million of goodwill and £281.7 million of brands as disclosed in note 14 to the financial statements. The goodwill and brands within the Group arose via business combinations.

Determining whether the carrying value of goodwill and brands is impaired requires management to make significant assumptions, including the forecast operating cash flows, discount rates and long term growth rates. This is highly judgemental and where previous performance has been adverse to forecasts this creates greater uncertainty.

The reviews take place at the lowest level at which management monitor these intangibles, being the aggregation of the UK operations for the UK goodwill and brand, which is in line with internal management reporting.

We focused on this area due to the deterioration in trading in FY18.

We tested the mechanical accuracy of the impairment model used by management for goodwill and brands.

We challenged management on the inputs into their impairment assessment calculations, including:

- assessing whether cash flow forecasts only include cash flows as allowed by IAS 36;
- assessing the key assumptions for sales growth used in the first three years of the model. We have agreed the sales growth to the Board approved budget for year one and to the 3 year plan for years 2 and 3;
- assessing the key assumption for long-term growth rates of 2%, by comparing this to historical results, and economic and industry forecasts; and
- considering the appropriateness of the discount rate (pre tax rate of 10.3%), in conjunction with our valuation experts, to assess the cost of capital for the Group and comparable organisations, forming a view of risk premiums as appropriate.

We assessed the appropriateness of the key sensitivities applied by management to the impairment model and whether the scenarios represented likely alternative outcomes from changes in key assumptions. We performed further sensitivities based on recent trading activity and our understanding of future prospects to identify whether these scenarios could give rise to further impairment.

We reviewed whether disclosures are appropriately made, in accordance with the applicable accounting framework.

Based on the procedures performed no material issues were identified.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

As described in the Strategic Report, specifically on page 11, the Group is an international multichannel retailer based predominately in the UK, but with a significant presence in targeted international markets. To comply with local regulations the Group has separate legal entities in a number of territories. The scope of our audit includes the main trading company located in the UK and procedures across the other primary trading entities and debt holding companies which represent the principal business units within the Group.

	Number	Loss Before Taxation	Revenue	Total Assets
Full scope[1]	2	70%	86%	86%
Specific scope[2]	9	8%	-	2%
Full and specific scope coverage	11	78%	86%	88%
Remaining components[3]	24	22%	14%	12%
Total reporting components	35	100%	100%	100%

[1] Full scope components being New Look Retailers Limited and New Look Secured Issuer plc based on their size and risk characteristics. We performed an audit of the complete financial information of these full scope components. For the elimination adjustments and balances arising on consolidation posted in the Group consolidation, we performed procedures including the testing of group tax journals, consolidation journals and intercompany eliminations, with no material misstatements identified

[2] Specific scope components comprise 5 overseas trading entities, 2 financing companies, and 2 holding companies. We performed audit procedures on specific accounts within these components that we considered had the potential for the greatest impact on significant accounts in the Group financial statements, either because of the size of these accounts or their risk profile.

[3] These entities are subject to overall analytical review procedures to respond to any potential risks of material misstatement to the Group financial statements. Although not relied upon for the purpose of this opinion, the majority of the remaining components have to prepare statutory accounts which are audited by PwC member firms.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£2,500,000
How we determined it	In determining group overall materiality, we have considered a range of benchmarks that may be appropriate in the Group's circumstances and which are used to assess the performance of the Group. These include Group Revenue, Group Adjusted EBITDA, Group Underlying Operating Loss, and Group Loss Before Taxation. Applying our professional judgement, we determined group overall materiality to be £2.5 million which equates to 0.2% of Group revenue.
Rationale for benchmark applied	We believe that revenue provides the most consistent and stable basis for currently determining materiality. Product range issues, aggressive markdown strategies, and declining footfall has led to significant fluctuations in profit and EBITDA measures, which do not reflect underlying changes in the size or nature of the business.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £171,000 and £2,375,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £125,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 24 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the Company financial statements of New Look Retail Group Limited for the 52 week period ended 24 March 2018. That report includes a material uncertainty relating to going concern.

Rosemary Shapland

Rosemary Shapland
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

7th June 2018

NEW LOOK RETAIL GROUP LIMITED
CONSOLIDATED INCOME STATEMENT

		For the financial periods	
		52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	Notes	**£m**	£m
Revenue	5, 6	**1,347.8**	1,454.7
Cost of sales		**(735.7)**	(707.9)
Gross profit		**612.1**	746.8
Administrative expenses		**(764.6)**	(670.4)
Operating (loss)/profit	7	**(152.5)**	76.4
Finance income	9	**2.3**	3.4
Finance expense	9	**(84.0)**	(96.6)
Share of post-tax profit from joint venture		**-**	0.2
Loss before taxation		**(234.2)**	(16.6)
Taxation	11	**10.4**	(3.6)
Loss attributable to the owners of New Look Retail Group Limited		**(223.8)**	(20.2)

The notes on pages 48 to 88 are an integral part of these consolidated financial statements.

NEW LOOK RETAIL GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the financial periods	
		52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	Notes	**£m**	£m
Loss for the period		**(223.8)**	(20.2)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gain on post-employment benefit obligations	31	**–**	0.1
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedges	23, 30	**(34.0)**	(5.9)
Exchange differences on translation of foreign operations	30	**1.2**	5.0
Tax effects	11, 30	**6.0**	1.9
Other comprehensive income for the period, net of tax		**(26.8)**	1.1
Total comprehensive loss for the period		**(250.6)**	(19.1)

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

The notes on pages 48 to 88 are an integral part of these consolidated financial statements.

Underlying operating (loss)/profit, a non-GAAP measure, (see note 2.23) is calculated as follows:

		For the financial periods	
		52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	Note	**£m**	£m
Operating (loss)/profit		**(152.5)**	76.4
Add back/(deduct):			
Operating exceptional items excluding exceptional onerous lease release	10	**28.2**	3.5
Share based payment charge	28	**20.2**	13.0
Fair value movement of financial instruments	23	**1.9**	(0.4)
Impairment charge for tangible and intangible assets	13,14	**26.9**	1.0
Onerous lease charge	10, 26	**1.0**	4.1
Underlying operating (loss)/profit		**(74.3)**	97.6

NEW LOOK RETAIL GROUP LIMITED
CONSOLIDATED BALANCE SHEET

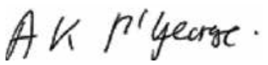
		As at	
		24 March 2018	25 March 2017
	Note	£m	£m
Non-current assets			
Property, plant and equipment	13	**101.2**	143.7
Intangible assets	14	**723.1**	730.2
Other receivables	16	**14.0**	18.7
Derivative financial instruments	17	**–**	33.1
Deferred income tax assets	11	**28.0**	22.6
		866.3	948.3
Current assets			
Inventories	15	**149.1**	158.6
Trade and other receivables	16	**78.1**	90.4
Income tax assets		**–**	2.2
Derivative financial instruments	17	**0.6**	18.8
Cash and cash equivalents	18	**59.3**	73.2
		287.1	343.2
Total assets		**1,153.4**	1,291.5
Current liabilities			
Trade and other payables	19	**(239.0)**	(267.3)
Current tax liabilities		**(3.7)**	–
Borrowings	20	**(100.0)**	–
Derivative financial instruments	21	**(19.8)**	(3.8)
Provisions	26	**(8.9)**	(4.9)
		(371.4)	(276.0)
Non-current liabilities			
Deferred income and other payables	19	**(61.9)**	(62.7)
Borrowings	20	**(1,224.7)**	(1,218.1)
Provisions	26	**(6.3)**	(6.0)
Deferred income tax liabilities	11	**(49.7)**	(58.2)
		(1,342.6)	(1,345.0)
Total liabilities		**(1,714.0)**	(1,621.0)
Net liabilities		**(560.6)**	(329.5)

NEW LOOK RETAIL GROUP LIMITED
CONSOLIDATED BALANCE SHEET (continued)

		As at	
		24 March 2018	25 March 2017
	Note	**£m**	£m
Equity attributable to the owners of New Look Retail Group Limited			
Share capital	29	**10.4**	10.4
Share premium	29	**0.6**	0.6
Other reserves	30	**(274.0)**	(247.2)
Accumulated losses	30	**(297.6)**	(93.3)
Total equity		**(560.6)**	(329.5)

The notes on pages 48 to 88 are an integral part of these consolidated financial statements.

The financial statements on pages 42 to 88 were authorised for issue by the Board of Directors on 7 June 2018 and were signed on its behalf by:



Alistair McGeorge
Executive Chairman

New Look Retail Group Limited
Registration number: 05810406

NEW LOOK RETAIL GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the owners of New Look Retail Group Limited				
		Share capital	Share premium	Other reserves	Accumulated losses	Total equity
	Notes	£m	£m	£m	£m	£m
Balance at 26 March 2016	29, 30	10.4	0.6	(248.2)	(73.3)	(310.5)
Comprehensive income and expense						
Loss for the financial period	30		—	—	(20.2)	(20.2)
Other comprehensive income and expense						
Actuarial gain on post-employment benefit obligations	31	—	—	—	0.1	0.1
Exchange differences on translation of foreign companies	30	—	—	5.0	—	5.0
Movements in hedged financial instruments	23, 30	—	—	(5.9)	—	(5.9)
Tax on items recognised directly in other comprehensive income and expense	11, 30	—	—	1.9	—	1.9
Total other comprehensive income and expense		—	—	1.0	0.1	1.1
Total comprehensive profit/(loss)		—	—	1.0	(20.1)	(19.1)
Transactions with owners:						
Employee share option scheme:						
– value of employee services	28, 30	—	—	—	11.7	11.7
Dividends paid	12	—	—	—	(11.6)	(11.6)
Total transactions with owners		—	—	—	0.1	0.1
Balance at 25 March 2017	29, 30	10.4	0.6	(247.2)	(93.3)	(329.5)
Comprehensive income and expense						
Loss for the financial period	30	—	—	—	(223.8)	(223.8)
Other comprehensive income and expense						
Actuarial gain on post-employment benefit obligations	31	—	—	—	—	—
Exchange differences on translation of foreign companies	30	—	—	1.2	—	1.2
Movements in hedged financial instruments	23, 30	—	—	(34.0)	—	(34.0)
Tax on items recognised directly in other comprehensive income and expense	11, 30	—	—	6.0	—	6.0
Total other comprehensive income		—	—	(26.8)	—	(26.8)
Total comprehensive loss		—	—	(26.8)	(223.8)	(250.6)
Transactions with owners:						
Employee share option scheme:						
– value of employee services	28, 30	—	—	—	20.1	20.1
Dividends paid	12	—	—	—	(0.6)	(0.6)
Total transactions with owners		—	—	—	19.5	19.5
Balance at 24 March 2018	**29, 30**	**10.4**	**0.6**	**(274.0)**	**(297.6)**	**(560.6)**

The notes on pages 48 to 88 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 24 March 2018	52 weeks ended 25 March 2017
	Notes	£m	£m
Cash flows from operating activities			
Operating (loss)/profit		(152.5)	76.4
Depreciation of property, plant and equipment	13	43.4	44.2
Impairment of property, plant and equipment	13	23.3	0.2
Amortisation of intangible assets	14	20.2	13.2
Impairment of intangible assets	14	3.6	0.8
Impairment loss of investment in joint venture		—	0.2
Loss on disposal of property, plant and equipment and intangible assets		2.3	0.4
Share based payment charge		20.2	11.7
Fair value losses/(gains) on financial instruments		1.9	(0.4)
Foreign exchange losses/(gains) on operating activities		1.5	(3.1)
Amortisation of lease inducements		(16.3)	(15.5)
Decrease/(increase) in inventories		9.4	(9.5)
Decrease/(increase) in trade and other receivables		17.0	(6.2)
Decrease in trade and other payables		(4.7)	(0.1)
Increase in provisions		4.3	3.3
Income taxes received		8.5	2.0
Net cash flow (used in)/generated from operating activities		(17.9)	117.6
Cash flows from investing activities			
Purchase of property, plant and equipment		(31.7)	(44.3)
Purchase of intangible assets		(24.1)	(29.4)
Net proceeds from sale of property, plant and equipment		3.9	—
Net proceeds from sale of intangible assets		—	0.6
Net cash flow used in investing activities		(51.9)	(73.1)
Cash flows from financing activities			
Interest paid		(84.5)	(88.4)
Interest received		5.8	8.3
Dividends paid		(0.6)	(11.6)
Repayment of borrowings – notes		—	(20.2)
Net proceeds from restrike of swaps		18.7	—
Net proceed from cancellation of swaps		17.3	—
Proceeds from revolving credit facility drawdown		100.0	—
Net cash flow generated from/(used in) financing activities		56.7	(111.9)
Net decrease in cash and cash equivalents	24	(13.1)	(67.4)
Opening cash and cash equivalents	18,24	73.2	134.5
Exchange (losses)/gains on cash and cash equivalents	24	(0.8)	6.1
Closing cash and cash equivalents	18,24	59.3	73.2

The notes on pages 48 to 88 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 24 March 2018 were authorised for issue by the Board of Directors ("the Board") on 7 June 2018 and the balance sheet was signed on the Board's behalf by Alistair McGeorge. 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, England, 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 Financial Reporting Standards as adopted for use in the European Union (IFRSs as adopted by the EU), International Financial Reporting Standards Interpretations Committee (IFRS IC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements are presented in Pound Sterling ('Sterling') and all values are rounded to the nearest £0.1 million except where otherwise indicated.

The results are prepared under the historical cost convention, except for the revaluation of financial assets and financial liabilities (including derivatives) at fair value through the income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates which, by definition, will seldom equal the actual results. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.1 Going Concern

In assessing the Group's going concern status the Directors have taken into account the Group's forecasted trading results and related cash flows and progress made against the Group's turnaround plans (details of which are included within the Year in Review on pages 12 and 13).

Despite the disappointing performance for the period ended 24 March 2018, the Directors are confident that a sustained upturn in trade will be achieved following the launch of the turnaround plan. This robust plan delivers significant identifiable cost savings which the Directors have confidence of achieving; specifically the rent reductions resulting from the CVA. Further efficiencies and cost savings have already been identified and implemented providing the Directors with further confidence that these will also be delivered. FY18 trading was impacted by certain non-recurring costs which are only relevant for the current period. In addition, the revised trading, product and supply strategy is underway and further supported by a brand relaunch in April 2018. If the projected results are achieved then the Group has adequate resources to continue its operations for the foreseeable future and to meet its obligations as they fall due. In addition, following the amendments to the terms of the indenture and facilities agreement as part of the CVA, there remains a basket for additional permitted indebtedness, including £60.0 million of secured facilities.

Given the current external economic headwinds which all retailers are experiencing, the Directors have also considered the impact on the Group if the trading results do not recover as quickly as projected. Management have modelled a range of sensitivity scenarios including delays to an improvement in trade as a result of external factors such as lower consumer confidence and reduced footfall.

Management have also reviewed the latest trading results since the brand relaunch in April 2018. Whilst early indications are positive it is difficult to conclude with sufficient certainty that the projected level of trading improvement will be achieved given the short period of time since this relaunch. While the cost saving initiatives will significantly improve the financial results of the Group, there will be challenges over the Group's ability to continue as a going concern if it is not able to improve the trading performance.

After making appropriate enquiries and considering the uncertainties described above, the Directors consider that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. If results fall short of projected expectations and the Group cannot access the additional liquidity this would obviously give rise to a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

2.1.2 Changes in accounting policy and disclosures

a) Standards, amendments and interpretations that were effective in the period and were adopted by the Group in preparing the financial statements

IAS 7 'Statement of cash flows' – effective for accounting periods beginning on or after 1 January 2017. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 'Income tax' – effective for accounting periods beginning on or after 1 January 2017. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

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 effective are relevant to the Group's operations.

IFRS 9 'Financial instruments' – effective for accounting periods beginning on or after 1 January 2018 – replaces IAS 39 'Financial instruments: recognition and measurement'. The core areas addressed within IFRS 9 are: classification and measurement of financial assets and liabilities; impairment of financial assets using an expected credit loss model and hedge accounting.

The Group does not expect any material changes in relation to the classification and measurement of financial assets and liabilities, nor in relation to the impairment of financial assets given the type of assets held by the Group.

The Group expects to continue applying the existing hedge accounting requirements of IAS 39 until the new approach is fully implemented given there is currently a choice in application of the new accounting policy. The continued application of IAS 39 applies to all existing hedges and any additional hedges that may be entered into in the future unless management decides to change policy and adopt IFRS 9 from the beginning of a subsequent financial period.

Additional disclosures in line with IFRS 9 requirements will be included in the financial statements for the period ending 30 March 2019.

IFRS 15 'Revenue from Contracts with Customers' – effective for accounting periods beginning on or after 1 January 2018 - provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces IAS 11 Construction Contracts and IAS 18 Revenue.

The Group has assessed the impact of IFRS 15 and expects a limited impact on the timing of recognition of revenue. There are four areas impacted by the new standard; gift card breakage, recognition of revenue from promotional activities, recognition of revenue from in store parties and refund accruals. Items that could have a material impact at the point of transition are as follows:

Gift card breakage

IFRS 15 requires that an estimate of breakage (recognition of revenue from expired gift cards) is made on the sale of a gift card and recognised over the expected pattern of usage of gift cards, in comparison to IAS 18 where recognition of revenue happens when the risks and rewards are transferred. The result is that revenue is recognised earlier under IFRS 15.

Refund accruals

IFRS 15 requires that the liability is grossed up to reflect the estimated return of inventory as well as the liability for the revenue estimated to be refunded, in comparison to IAS 18 which allows the refund accrual to be shown net.

Had IFRS 15 been applied from 26 March 2017, the combined impact of gift card breakage and the refund accrual on the Group results for the year ended 24 March 2018 is estimated as follows:

	IAS 11 and IAS 18	IFRS 15
	£m	£m
Income statement		
Revenue	1,347.8	1,349.2
Loss before taxation for the year	(234.2)	(232.8)
Balance sheet		
Inventory	149.1	150.8
Accruals	(82.1)	(83.8)
Deferred income	(92.3)	(90.9)
Net liabilities	(560.6)	(559.2)

The Group will adopt IFRS 15 from 25 March 2018 using the modified retrospective approach. The comparative results for the financial period ended 24 March 2018 will not be restated. Instead, the cumulative effect of initially applying the standard will be recorded as an adjustment to the opening balance of retained earnings for the financial period ending 30 March 2019.

IFRS 16 'Leases' – effective for accounting periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts, with the exception of short-term and low value leases. The adoption of IFRS 16 will have a material effect on the Group financial statements.

IFRS 2 'Share-based payment' – effective for accounting periods beginning on or after 1 January 2018. This amendment clarifies how to account for certain types of share-based payment transactions.

IAS 40 'Investment property' – effective for accounting periods beginning on or after 1 January 2018. This amendment clarifies that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

IAS 19 'Employee benefits' – effective for accounting periods beginning on or after 1 January 2019. This amendment specifies how companies determine pension expenses when changes to a defined benefit pension plan occur.

IFRIC 22 'Foreign currency transactions and advance consideration' – effective for accounting periods beginning on or after 1 January 2018. The IFRIC clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of a related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

IFRIC 23 'Uncertainty over income tax treatments' – effective for accounting periods beginning on or after 1 January 2019. The IFRIC clarifies how the recognition and measurement requirements of IAS 12 are applied where there is uncertainty over income tax treatments.

Annual improvements 2014-2016 cycle – effective for accounting periods beginning on or after 1 January 2018.

Annual improvements 2015-2017 cycle – effective for accounting periods beginning on or after 1 January 2019.

2.2 Basis of consolidation

The Group financial statements incorporate the financial statements of the Company, its subsidiary undertakings and, up to the date of disposal in May 2016, its joint venture. Joint ventures are accounted for using the equity method, see 2.3.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. The results of subsidiaries disposed of are consolidated up to the date on which control transfers from the Group. When the Group ceases to have control, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

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 are expensed.

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.

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 are consistent with the policies adopted by the Group.

2.3 Interest in joint ventures

Under IFRS 11 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Up to the date of its disposal (May 2016), the Group had an investment in a joint arrangement which was jointly controlled through a separate legal entity. The Group assessed the nature of the joint arrangement and determined it to be a joint venture. The joint venture was accounted for 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.

2.4 Revenue

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

2. Summary of significant accounting policies (continued)

2.4 Revenue (continued)

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:

- 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. E-Commerce sales are recognised when the goods are despatched to the customer.
- 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. In the prior period, franchise fee income represented the release of the upfront exclusivity fee that had been spread over the term of the agreement.
- Franchise royalty 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.

It is the Group's policy to sell its products to the end customer with a right of return. Refund accruals are estimated based on accumulated experience. 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.

The Group runs a loyalty scheme in China. The cost of loyalty initiatives is part of the fair value of consideration received, and is deferred and subsequently recognised over the period that the loyalty awards are redeemed. The fair value of points awarded is determined with reference to the fair value to the customer.

2.5 Cost of sales

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

In addition, cost of sales also includes volume based rebate income from suppliers. These rebates are recognised when contractually agreed volume thresholds are expected to be met. The amount of rebate recognised is the proportion of the total rebate due based on actual volumes achieved in the year.

Credit card charges are presented within administrative expenses.

2.6 Finance income and expense

Interest income and expense 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 items of income and expense that are not considered in the ordinary course of business are disclosed in the underlying operating profit reconciliation as exceptional items. The separate reporting of exceptional items helps provide an indication of the Group's underlying business performance.

Items which may be classified as exceptional include transactions relating to the sale of the Group, costs of restructuring and reorganisation of the business, litigation costs and settlements, costs incurred as part of the review of business financing not eligible to be treated as debt issue costs and gains or losses resulting from the disposal of non-operating property.

2.8 Foreign currencies

(a) Functional and presentational currency

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.

(b) Transactions and balances

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 currencies are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are recognised in the income statement in the same place as the underlying transaction except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within finance income and finance expense. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within administrative expenses.

(c) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentational currency are translated into Sterling as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is disposed of, the associated exchange differences are reclassified to the income statement, as part of the gain 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. 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.

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

Depreciation is provided to write down the cost of property, plant and equipment to its estimated residual value over its remaining useful life on a straight-line basis. Freehold land is not depreciated.

Asset Category	Useful life
Freehold buildings	50 years
Fixtures and equipment	3 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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, see note 2.11.

Gains and losses on disposals are determined by comparing the proceeds of disposal with the net carrying amount and are included in the income statement.

2.10 Intangible assets

(a) Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but tested for impairment annually, as described in note 2.11, or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is 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.

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. Intangible assets with a finite life are amortised on a straight-line basis through administrative expenses, based on the useful life shown below:

Category	Useful life
Brand	Indefinite
Trademarks and licences	Indefinite
Recoverable leasehold property premiums	Indefinite
Software licences	1 to 5 years

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

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Brand, trademarks and licences have been determined as intangible assets with indefinite lives as it is not possible to determine the period over which the Group's brands, trademarks and licences will generate net cash inflows.

Recoverable leasehold property premiums have been determined as intangible assets with indefinite lives as they are considered to be recoverable at the end of the lease term.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation or depreciation 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, cash generating units (CGUs). Impairment is tested for groups of CGUs not larger than operating segments, 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 or amortisation, 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.

(b) Hedge accounting

For the purpose of hedge accounting, the Group designates derivatives 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.

All of the Group's derivatives are designated as cash flow hedges. The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the transaction. The Group also documents the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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

(c) Hedge accounting - cash flow hedges

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, in the same location as the changes in the cash flows of the hedged asset or liability that are attributable to the hedged risk. 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 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 reclassified to the income statement for the period.

2. Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

(d) Embedded derivatives

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.

(e) Non-derivative financial instruments

All loans and borrowings are initially recognised at fair value 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.

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) incurred in bringing inventories to their current location and condition, plus an attributable proportion of distribution overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less further costs to be incurred to disposal.

Inventories includes spare parts for machinery used in the Lymedale Distribution Centre.

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 and financial institutions, other short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Restricted cash comprises cash held by the Employee Benefit Trusts (EBTs) which can only be utilised for the benefit of the employees. Blocked cash comprises deposits held as guarantees over leases in mainland Europe.

2.15 Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income or loss based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws and rates related to the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes current tax assets and liabilities and provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. 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 contributes to defined contribution pension schemes for employees in the UK, ROI, China, Poland and Belgium. The Group has no further payment obligations once 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 subsidiary is 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

(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

Three share schemes exist - the Employee Shareholder Status Scheme (ESS) and the Joint Share Ownership Plan (JSOP) are accounted for as equity settled, whilst the Long Term Incentive Plan (LTIP) is accounted for as cash settled.

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. The cost of cash settled transactions with employees is reviewed 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 liabilities or reserves.

A provision is recognised for 'Good Leavers' based on the number of shares held and with reference to the Brait Published Rate ("BPR").

2.18 Transactions with the EBTs

The EBTs were set up to allow the issue of shares to Group employees and are consolidated into the Company's accounts. The EBTs reserve represents the gains made by the EBTs on selling New Look Retail Group Limited shares as part of the acquisition by Brait SE (Brait).

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 can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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 the income statement on a straight-line basis over the period of the lease. Premiums payable on entering an operating lease are charged to the income statement on a straight-line basis over the lease term. Rent free periods, capital contributions and other lease inducements receivable on entering an operating lease are recognised as deferred income and released to the income statement on a straight-line basis over the lease term.

Recoverable leasehold property premiums are capitalised on the balance sheet within intangible assets. The assets are not subject to annual amortisation because they are deemed to be recoverable and are instead subject to annual impairment reviews (see 2.11).

Finance leases are capitalised at lease commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance expense. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. The finance expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

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 (loss)/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-IFRS measure referred to as underlying operating (loss)/profit. Management consider that underlying operating (loss)/profit reflects the trading performance of the Group. Underlying operating (loss)/profit is operating (loss)/profit before exceptional items, share based payment charge or credit, the movements in fair value of financial instruments, the impairment charge or write back of tangible and intangible assets and the income statement charge or credit in relation to the onerous lease provision.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends are only declared when the Directors are satisfied that the Company has sufficient distributable reserves to do so.

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), credit risk and capital 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, foreign exchange, interest rate, credit and capital 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 (see note 2.12).

The Group's principal financial instruments, other than derivatives, are cash and short-term deposits, bank overdrafts, revolving credit facility (RCF) and borrowings. The main purpose of these financial instruments is to fund the Group's operations, including servicing its debt. 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

Liquidity risk is the risk that the Group cannot settle its liabilities as they fall due. 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 in order to meet operational needs. Due to the dynamic nature of the underlying businesses, Group treasury maintains availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity position which at 24 March 2018 comprise £8.1 million (2017: £48.1 million) available under the £85.0 million committed (2017: £73.0 million uncommitted) operating (liquidity, trade and import) facilities, an undrawn overdraft limit of £15.0 million (2017: undrawn £5.0 million), a fully drawn revolving credit facility of £100.0 million (2017: undrawn £100.0 million), and cash and short-term deposits (note 18).

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. The covenant measure ceased to be applicable from 6 March 2018 due to the amendments to the RCF as a result of the CVA.

3. Treasury and financial risk management (continued)

Foreign exchange rate risk

Foreign exchange rate 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 exchange rates.

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

The Group's principal foreign exchange rate exposures are as follows:

- 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.
- Foreign currency denominated borrowings. The Group has note tranches denominated in Euros. All other Group borrowings are in Sterling. Group policy was to hedge a proportion of the exposure to currency risk on the Euro denominated notes through a portfolio of cross currency swaps. During the period, this policy changed and as a result of the cancellation of the swaps, this is no longer hedged as at 24 March 2018.
- Foreign currency cash balances. During the period ended 24 March 2018 the Group had cash balances denominated in Euros, US dollars, Chinese Renminbi and Polish Zloty. These balances were revalued into Sterling equivalent balances at the prevailing spot foreign exchange rate.

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.

During the period ended 24 March 2018, if Sterling had weakened by 5.0% against the Euro with all other variables held constant, post-tax loss (2017: loss) for the period would have been £14.6 million higher (2017: £6.5 million lower), mainly as a result of the translation of Euros denominated notes and the translation of Euro cash balances held; post-tax increase (2017: increase) in shareholder's deficit would have been £4.5 million lower (2017: £3.7 million lower) due to the consolidation of net assets and liabilities of foreign subsidiaries with their functional currency as Euro.

During the period ended 24 March 2018, if Sterling had weakened by 5.0% against the US dollar with all other variables held constant, post-tax loss (2017: loss) for the period would have been £1.5 million higher (2017: £1.4 million higher), mainly as a result of revaluation of trade creditors; post-tax increase (2017: increase) in shareholder's deficit would have been £11.7 million lower (2017: £17.2 million higher) as a result of the movement in forward currency contracts.

Interest rate risk

The Group's principal interest rate risk arises from floating rate borrowings. Group policy was to use interest rate derivatives to manage the cost of its floating rate borrowings by entering into fixed rate derivatives, so as to reduce exposure to changes in interest rates. During the period, this policy changed and as a result of the cancellation of the swaps, this is no longer hedged as at 24 March 2018.

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. Since the Group refinancing transaction on 24 June 2015, the Group had hedged 54% of the floating rate exposure. This was reduced to 36% in October 2017 and further reduced to 0% by March 2018.

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:

- Up to the date of the restrikes and cancellations, certain financial instruments were 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' deficit and were 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 24 March 2018, if interest rates on cash and cash equivalent deposit balances had been 100 basis points higher (2017: 100 bp) with all other variables held constant, post-tax loss (2017: loss) for the period would have been £0.2 million lower (2017: £0.3 million lower), mainly as a result of a higher interest income on floating rate deposits; post-tax movement in shareholder's deficit would be unaffected (2017: unaffected) as a result of movement in cash flow hedges.

During the period ended 24 March 2018, if interest rates on Euro denominated borrowings and the RCF had been 100 basis points higher (2017: 100 bp) with all other variables held constant, post-tax loss (2017: loss) for the period would have been £1.8 million higher (2017: £1.3 million higher) due to the higher interest payable on the unhedged portion of the Euro floating rate senior secured notes.

Credit risk

Credit risk arises from cash and cash equivalents, favourable 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. Credit risk is managed on a Group basis. 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 required to be settled in cash or using major credit cards, mitigating credit risk.

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 or S&P credit rating falls below an "A" rating.

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. Capital under management by the Group includes the committed revolving credit facility, borrowings in the capital markets (senior secured notes and senior notes) along with its available cash and committed and uncommitted operating facilities. The Group aims to invest its available capital in accordance with approved limits on security, liquidity and counterparty risk in order to minimise idle balances and provides visibility and control of cash and investments. The Group must ensure sufficient capital resources are available for working capital requirements and meeting principal and interest payment obligations as they fall due.

Covenant measures commenced on 25 June 2016 (see note 25 for further details). The financial covenant Net Leverage Ratio test was only tested when the facility is drawn equal to or greater than 25% at 5pm on the last day of the most recent reporting quarter. If the ratio was exceeded at that time the covenant only acted as a draw stop on future drawings. There was no breach or default trigger from exceeding the ratio. As at 24 March 2018 the RCF was fully drawn, however the covenant measure ceased to be applicable from 6 March 2018 due to the amendments to the RCF as a result of the CVA.

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 24 March 2018, net debt was £1,265.4 million (2017: £1,144.9 million), see note 24.

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, judgements and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, judgements 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:

Significant estimates and assumptions

(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 in note 2.11. 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) Estimated impairment of assets with finite lives

The Group tests whether tangible and intangible assets have suffered any impairment in accordance with the accounting policy in note 2.11. The recoverable amounts of cash-generating units have been determined based on the higher of value in use or fair value less costs to sell. These calculations require the use of estimates as detailed in note 14.

(c) Share based payments

The share based payment charge is recognised in each period as it is incurred, based on a fair value model. Where a scheme has the option of being equity settled or cash settled, management judgement is used to determine the classification. The key assumptions of this model for each scheme are presented in note 28.

(d) Onerous lease provisions

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 subleased at the prevailing rent.

A provision is also recognised on loss making stores where the discounted future cash flows are not expected to cover future payments under the lease contract and there is an intention to exit the store. The key assumptions to these provisions are the estimated future cash flows and applied discount rates.

(e) Inventory provisions

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

(f) Operating lease commitments – future rental amounts

Following the approval of the CVA, rent payments across a number of stores are reduced for the three year term of the CVA. At the end of the CVA, rent on these stores reverts to the higher of the CVA rent or the market rent. The Group estimates for the purposes of operating lease commitments that the rent at the end of the CVA will remain at the CVA level. In addition to this, the Group has made judgements in relation to the number of stores that will remain open.

Significant judgements

(g) Going concern

The Directors apply judgement to assess whether it is appropriate for the Group to be reported as a going concern, by considering the business activities and the Group's principal risks and uncertainties. Details of the considerations made by the Directors as part of the assessment of going concern is included within the Directors Report (see page 28) and within the basis of preparation (see page 48).

A number of assumptions and estimates are involved in arriving at this judgement including management's projections of future trading performance and expectations of the external economic environment.

(h) Recognition of deferred tax assets

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.

Tax provisions are recognised for uncertain tax positions where the amount of tax payable on open tax positions remains to be agreed with relevant tax authorities. The Group provides for uncertain tax positions based on the best estimate of the most likely outcome in respect of the relevant issue. Where the final tax outcome on uncertain tax positions is different from the amounts that were initially recorded, the difference will impact the Group's current and deferred tax assets and liabilities in the period in which such determination is made, as presented in note 11.

Deferred tax assets and liabilities require judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, taking into account the expected timing and level of future taxable profits of the group. 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.

(i) Exceptional items

The Group applies judgement in identifying the significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business performance. See notes 2.7, 10 and 26 for a description of exceptional items and provisions.

5. Segment information

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

The Board considers 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 results of the French, German and Rest of the World websites are included within the E-commerce segment and therefore geographically, the UK. Whilst it is possible to separately identify the sales for these sites, costs are not allocated to each individual site as they are all reported within the E-commerce segment.

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

The New Look brand – International reportable segment includes an aggregation of the following operating segments: France, Belgium, Poland, Singapore, China, Republic of Ireland and in the prior period Holland and Germany. The Board has assessed that these operating segments share similar economic characteristics on the basis that all segments sell New Look brand product aimed at New Look's core customers through retail outlets. The segments share similar underlying gross margins on the sale of product and share similar risks – in particular in relation to seasonality, stocks, product design and competition.

The Board assesses the performance of the reportable 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). 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.

The reportable segment information provided to the Board is as follows:

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
External revenue		
– UK Retail	**900.0**	972.3
– E-commerce [1]	**185.8**	230.0
– 3rd Party E-commerce	**72.9**	63.1
– International	**173.6**	178.4
– Franchise	**32.5**	29.1
Segmental gross value	**1,364.8**	1,472.9
Adjustment to state concession income on a net basis for statutory reporting purposes	**(17.0)**	(18.2)
Total external revenue	**1,347.8**	1,454.7

(1) E-commerce sales include £19.0 million (2017: £17.4 million) for the French, German and Rest of the World websites made in Euros.

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
External revenue		
– UK	**1,085.8**	1,202.3
– International	**279.0**	270.6
Segmental gross value	**1,364.8**	1,472.9
Adjustment to state concession income on a net basis for statutory reporting purposes	**(17.0)**	(18.2)
Total external revenue	**1,347.8**	1,454.7

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 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Underlying operating profit/(loss)		
– UK Retail(2)	**(66.7)**	72.7
– E-commerce	**11.9**	24.6
– 3rd Party E-commerce	**14.1**	16.6
– International(2)	**(37.1)**	(22.8)
– Franchise	**3.5**	6.5
Total underlying operating (loss)/profit	**(74.3)**	97.6

(2) A reclassification of £2.2 million for costs attributable to International has been included in the comparative period from UK Retail.

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Underlying operating profit		
– UK(2)	**(54.8)**	97.3
– International(2)	**(19.5)**	0.3
Total underlying operating (loss)/profit	**(74.3)**	97.6

(2) A reclassification of £2.2 million for costs attributable to International has been included in the comparative period from the UK.

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Capital expenditure		
– UK Retail	**28.0**	53.3
– E-commerce	**11.6**	11.1
– 3rd Party E-commerce	**—**	—
– International	**7.2**	11.3
– Franchise	**—**	—
Total capital expenditure	**46.8**	75.7

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Capital expenditure		
– UK	**39.6**	64.4
– International	**7.2**	11.3
Total capital expenditure	**46.8**	75.7

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5. Segment information (continued)

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Depreciation and amortisation		
– UK Retail	43.0	41.1
– E-commerce	10.1	5.5
– 3rd Party E-commerce	—	—
– International	10.5	10.8
– Franchise	—	—
Total depreciation and amortisation	63.6	57.4

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Depreciation and amortisation		
– UK	53.1	46.6
– International	10.5	10.8
Total depreciation and amortisation	63.6	57.4

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Impairment		
– UK Retail	11.7	0.2
– E-commerce	0.1	—
– 3rd Party E-commerce	—	—
– International	15.1	0.8
– Franchise	—	—
Total depreciation and amortisation	26.9	1.0

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Impairment		
– UK	11.8	0.2
– International	15.1	0.8
Total depreciation and amortisation	26.9	1.0

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

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
External revenue		
United Kingdom(3)	**1,090.3**	1,208.6
France	**59.6**	62.9
Republic of Ireland	**55.7**	58.2
Germany	**30.7**	17.0
Rest of Europe	**33.5**	37.0
Asia	**44.6**	43.0
Middle East	**32.0**	26.0
Rest of World	**1.4**	2.0
Total external revenue	**1,347.8**	1,454.7

(3) For segmental reporting management consider 3rd Party E-Commerce within the International segment, however some 3rd Party E-Commerce partners are UK based and therefore shown as such.

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Non-current assets		
United Kingdom	**798.9**	829.7
France	**11.2**	23.2
Rest of Europe	**22.5**	29.9
Rest of World	**5.7**	9.8
Total non-current assets	**838.3**	892.6

6. Revenue

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Sale of goods	**1,334.0**	1,439.1
Rental income	**1.2**	1.3
Store card income	**0.7**	1.8
Franchise fee income	**–**	0.3
Concession income (net)	**11.9**	12.2
Total external revenue	**1,347.8**	1,454.7

Included within rental income is contingent rent of £0.3 million (2017: £0.4 million).

7. Operating (loss)/profit

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Operating profit is stated after charging/(crediting):		
Cost of inventories recognised as an expense through cost of sales	614.8	595.8
Write down of inventories to net realisable value through cost of sales	34.6	20.7
Distribution centre costs	37.5	40.6
Staff costs	246.1	227.9
Temporary and contract staff costs	10.1	11.6
Marketing costs	37.2	38.6
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the Group and parent company	0.4	0.3
Fees payable to the company's auditors and its associates for other services:		
– The audit of the company's subsidiaries pursuant to legislation	0.3	0.4
– Tax compliance services	0.2	0.1
– Tax advisory services	0.1	0.2
– Other assurance services	–	0.1
– All other services	0.1	0.1
Operating lease charges:		
– Minimum lease payments	179.6	172.5
– Contingent rent payments	1.5	1.6
Estate costs (excluding rent)	129.2	121.7
Amortisation of lease incentives	(9.0)	(7.7)
Loss on disposal of intangible assets and property, plant and equipment	2.3	0.4
Net foreign exchange differences	2.9	(5.5)
Depreciation of property, plant and equipment	43.4	44.2
Impairment loss of property, plant and equipment	23.3	0.2
Amortisation of intangible assets	20.2	13.2
Impairment loss of intangible assets	3.6	0.8
Fair value movement of financial instruments	1.9	(0.4)
Onerous lease charge	1.0	4.1

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

Included within minimum lease payments is £7.3 million (2017: £7.8 million) relating to the amortisation of rent discount and rent free lease incentives.

Impairment losses of property, plant and equipment and intangible assets of £26.9 million (2017: £1.0 million) have been recognised in the period ended 24 March 2018. Impairments are detailed in notes 13 and 14.

8a. Staff costs

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Wages and salaries	**204.8**	194.5
Social security costs	**18.1**	17.8
Other pension costs (note 31)	**3.0**	2.6
	225.9	214.9
Share based payment expense (note 28)	**20.2**	13.0
	246.1	227.9

In addition to the above, costs relating to temporary and contract staff total £10.1 million (2017: £11.6 million).

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

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	Number	Number
Administration and distribution	**2,552**	2,549
Retailing	**15,391**	15,944
	17,943	18,493

Compensation for key management personnel

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

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Short term employee benefits	**2.6**	3.0
Termination benefits	**0.9**	–
Post-employment benefits	**0.1**	0.2
Share based payment charge (note 28)	**18.3**	10.8
	21.9	14.0

Key management are considered to be the Executive Directors plus four operational directors and the Company Secretary.

The amount due to key management personnel at 24 March 2018 in respect of bonuses due to be paid in the next financial period, including the Directors, is £nil (2017: £ nil).

Retirement benefits are accruing to five (2017: five) members of key management at the end of the period. Directors' remuneration is detailed in note 8b.

During the period ended 24 March 2018, three (2017: one) key management personnel sold an interest in preference shares of Top Gun Bidco Limited and none (2017: none) exercised options.

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 24 March 2018 and 25 March 2017.

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Aggregate emoluments in respect of qualifying services	**2.4**	2.1
Compensation for loss of office	**0.9**	–
Group contributions paid in respect of pension schemes	**0.1**	0.1

No (2017: none) Directors exercised share options, no (2017: none) Directors sold an interest in shares, two (2017: one) Directors sold an interest in preference shares of Top Gun Bidco Limited and no (2017: none) Directors were granted share options in the period. Retirement benefits are accruing to one (2017: two) Directors at the end of the period.

During the financial period, six Directors (2017: five) received emoluments in respect of qualifying services.

(b) Directors' details

Directors

R Wightman, R Collyer, A McGeorge, T Singh, A Singh, J Gnodde, C Wiese, J Wiese, B Baisley, A Walker and S Dougherty were Directors as at 24 March 2018. A McGeorge was appointed on 6 November 2017. C Seabrooke was appointed 8 May 2018 and P Gilbert was appointed 17 May 2018.

In the financial period ended 24 March 2018, each of the following were Executive Directors: A McGeorge, A Kristiansen, D Barrasso, R Collyer and R Wightman (2017: A Kristiansen, D Barrasso, R Collyer and R Wightman). A Kristiansen resigned 1 September 2017 and D Barrasso resigned 9 February 2018.

As representatives of Brait, J Gnodde, C Wiese, J Wiese, B Baisley, A Walker and S Dougherty have an indirect economic interest in the shares of the Company held by the Brait funds. A Walker resigned 31 March 2018, C Wiese and J Wiese resigned 8 May 2018 and S Dougherty resigned 7 June 2018.

For details of transactions with the Directors, see note 32.

Highest paid Director

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Aggregate emoluments in respect of qualifying services	**0.7**	1.2

9. Finance income and expense

	For the financial periods	
	52 weeks ended 24 March 2018 £m	52 weeks ended 25 March 2017 £m
Finance income		
Interest on bank deposits	0.1	0.2
Exchange rate gain on revaluation of Euro notes(1)	2.2	–
Finance income before exceptional income	2.3	0.2
Exceptional items – finance income		
Gain on repurchase of notes	–	3.2
Total finance income	2.3	3.4
Finance expense		
Interest on notes, bonds, bank loans and overdrafts	(79.1)	(79.5)
Interest on tax provision	(0.8)	–
Exchange rate loss on revaluation of Euro notes(1)	–	(14.1)
Amortisation of capitalised debt fees	(2.9)	(3.0)
Finance expense before exceptional expenses	(82.8)	(96.6)
Exceptional items – finance expense		
Financing costs	(1.2)	–
Total finance expense	(84.0)	(96.6)

(1) During the financial period, a £5.8 million gain (2017: £16.7 million gain) resulting from Euro cross currency derivatives, accounted for as a cash flow hedge, was recycled from reserves into finance income (2017: finance expense) in the consolidated income statement and nets against the £3.6 million loss (2017: £30.8 million loss) on revaluation of the Euro notes.

Financing costs

During the period ended 24 March 2018, the Group incurred £1.2 million of exceptional costs in relation to the restructuring of currency swaps (see note 10).

Gain on repurchase of notes

On 14 September 2016, the Group repurchased and cancelled £23.3 million 8.0% Senior Notes due 1 July 2023 for a cash cost of £20.2 million. This resulted in an exceptional gain of £3.2 million on repurchase (including £0.1 million waived interest) and the accelerated amortisation of £0.3 million capitalised debt fees, in addition to £0.3 million other exceptional costs (see note 10).

10. Exceptional items

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Exceptional items		
Company Voluntary Arrangement (CVA)	**11.4**	–
King's Cross abortive costs	**12.0**	–
Gain on sale of land	**(2.2)**	–
Group reorganisation and restructure	**6.8**	2.1
Review of business financing	**0.2**	0.3
Exceptional legal costs	**–**	0.9
Impairment of investment in joint venture	**–**	0.2
Operating exceptional items excluding exceptional onerous lease release	**28.2**	3.5
Other operating exceptional item		
Onerous lease provision release (note 26)	**(5.4)**	–
Financing exceptional items		
Financing costs (note 9)	**1.2**	–
Gain on repurchase of notes (note 9)	**–**	(3.2)
Financing exceptional items	**1.2**	(3.2)
Total exceptional items	**24.0**	0.3

Company Voluntary Arrangement

On 21 March 2018, the Group announced the approval of a Company Voluntary Arrangement (CVA) aimed at right-sizing the number of stores and addressing the over-rented position of the UK store portfolio. This is a significant step towards delivery of the turnaround strategy, focused on returning the business to long-term profitability. The Group has identified 60 UK stores for potential closure, together with a further 6 sites which are sub-let to third parties. Rent reductions have been secured on 393 stores, with rental payments across all stores moving from a quarterly to a monthly payment cycle. As a result the Group incurred total costs of £11.4 million, including £8.5 million relating to professional advisory fees and a £2.9 million provision for the exit costs associated with the 60 store closures and the compromised lease fund offered to landlords as part of the CVA proposal.

In addition to the above, and as a result of the CVA, the Group has recognised an exceptional credit of £1.7 million in relation to the onerous lease provision previously recognised for loss making stores which have been identified for closure or are no longer loss making due to the reduction in rent (see note 26).

King's Cross abortive costs

During the period ended 24 March 2018, the Group incurred exceptional costs of £12.0 million related to the aborted move to the new head office in King's Cross, including £9.8 million related to fit out costs for the office (including non-transferable assets), £1.5 million of transactional fees and £0.7 million of dual running costs.

In addition to the above, and as a result of the aborted move to the new head office, the Group has recognised an exceptional credit of £3.7 million in relation to the onerous lease provision previously recognised for the Wells and More head office.

Gain on sale of land

During the period ended 24 March 2018, the Group recognised a gain on disposal of £2.2 million in relation to the sale of superfluous land at Mercery Road, Weymouth.

Group reorganisation and restructure

During the period ended 25 March 2017, the Board and senior management undertook an end to end assessment of the systems, non-value adding processes and administration work in light of the changing retail environment and New Look's strategic plan. During the period ended 24 March 2018 this review was finalised and the Group incurred £6.8 million (2017: £2.1 million) of exceptional costs made up of dual running of certain contracts and aligning our operations to the strategic plan, including redundancy costs incurred in connection with rebalancing staffing within stores.

Review of business financing/net refinancing costs/gain on repurchase of notes

During the period ended 24 March 2018, the Group incurred £1.4 million of exceptional costs in relation to the restructuring of currency swaps, of which £0.2 million has been recognised as an operational exceptional expense and £1.2 million recognised as an exceptional finance expense (see note 9).

During the period ended 25 March 2017, the Group repurchased and cancelled £23.3 million 8.0% Senior Notes due 1 July 2023. Total costs incurred were £0.3 million, offset by an exceptional gain of £3.2 million on repurchase of notes (including £0.1 million waived interest) (see note 9).

Exceptional legal costs

During the period ended 25 March 2017, the Group incurred £0.9 million of exceptional legal costs in relation to litigation relating to the recovery of interchange fees for card transactions, entered into by New Look Retailers Limited. All claims are now closed.

Loss on divestment of joint venture

During the financial period ended 28 March 2015, the Board took the decision to divest its 50% interest in NLT Tekstil Sanayi Ve Ticaret Limited Şirketi. During the financial period ended 25 March 2017 an impairment loss of £0.2 million was recorded in relation to the recoverability of the 50% joint interest. The sale of shares in NLT Tekstil Sanayi Ve Ticaret Limited Şirketi held by the Group completed in May 2016.

11. Taxation

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Current tax:		
UK corporation tax on profits for the period	–	1.6
Double tax relief	0.1	(0.1)
Adjustments in respect of prior periods	(2.6)	0.7
Total current tax	(2.5)	2.2
Deferred tax:		
Origination and reversal of temporary differences	(10.0)	3.5
Impact of change in UK corporation tax rate	–	(2.1)
Adjustment in respect of prior periods	2.1	–
Total deferred tax	(7.9)	1.4
Total income tax (credit)/charge	(10.4)	3.6

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

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Loss before taxation	(234.2)	(16.6)
Tax credit on loss at standard rate of 19% (2017: 20%)	(44.5)	(3.3)
Reasons affecting charge for the period:		
Depreciation on non-qualifying assets	2.3	1.1
Expenses not deductible for tax purposes	14.4	6.3
Foreign tax charged at a different rate than UK standard rate	(0.1)	(0.4)
Tax losses for which no deferred income tax asset was recognised	18.0	1.3
Re-measurement of deferred tax – change in the UK corporation tax rate	—	(2.1)
Adjustment to current tax charge in respect of prior periods	(2.6)	0.7
Adjustment to deferred tax charge in respect of prior periods	2.1	—
Total income tax (credit)/charge	(10.4)	3.6

The adjustment to current tax charge in respect of prior periods is primarily due to claims for research and development tax relief in respect of the year ended 25 March 2017 and the year ended 26 March 2016. The adjustment to deferred tax charge in respect of prior periods is primarily due to a reduction in the recognition of overseas tax losses.

The Finance Act 2015 was substantively enacted on 26 October 2015 and reduced the main rate of corporation tax to 19.0% with effect from 1 April 2017. The Finance Act 2016 was substantively enacted on 6 September 2016 and reduced the main rate of corporation tax to 17.0% from 1 April 2020. Closing deferred tax balances have therefore been valued at 17% or 19% (2017: 17% or 19%) depending on the date they are expected to unwind.

11. Taxation (continued)

In addition to the amount charged to the consolidated income statement, tax movements recognised directly in other comprehensive income were as follows:

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Deferred tax:		
Foreign exchange movements in translation reserve	(0.2)	(0.7)
Tax on cash flow hedges (note 30)	(5.8)	(1.2)
Tax credit on items recognised in other comprehensive income	(6.0)	(1.9)

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 and when management believe these will be settled on a net basis.

	As at	
	24 March 2018	25 March 2017
	£m	£m
Deferred tax asset to be recovered within 12 months	3.3	3.2
Deferred tax asset to be recovered after more than 12 months	24.7	19.4
	28.0	22.6
Deferred tax liability falling due within 12 months	(0.3)	(8.5)
Deferred tax liability falling due after more than 12 months	(49.4)	(49.7)
	(49.7)	(58.2)
	(21.7)	(35.6)

The movement in the period is as follows:

	Depreciation in excess of capital allowances	Brand	Other temporary differences	Total
	£m	£m	£m	£m
At 26 March 2016	13.3	(50.2)	0.8	(36.1)
Credited/(charged) to income statement	0.2	2.8	(4.4)	(1.4)
Foreign exchange movements in translation reserve	—	—	0.7	0.7
Recognised in other comprehensive income	—	—	1.2	1.2
At 25 March 2017	13.5	(47.4)	(1.7)	(35.6)
Credited to income statement	7.5	—	0.4	7.9
Foreign exchange movements in translation reserve	—	—	0.2	0.2
Recognised in other comprehensive income	—	—	5.8	5.8
At 24 March 2018	**21.0**	**(47.4)**	**4.7**	**(21.7)**

There is a deferred tax asset in respect of UK capital losses of £1.3 million (2017: £1.6 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.

Movement in the fair value of derivative financial instruments under the classifications laid out in IAS 39 is the main item included in other temporary differences.

Deferred tax assets of £45.8 million (2017: £8.2 million) relating to disallowed tax-interest expense amounts in the UK group and losses in New Look Belgium SA, New Look France SAS, New Look Germany GmbH, New Look Retailers (Ireland) Ltd, New Look Poland sp. Zoo, New Look Finance Ltd and New Look Commerce (Shanghai) Co. Limited (2017: Geometry Properties Limited, New Look Belgium SA, New Look Germany GmbH and New Look France SAS) 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 and branches 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 £18.1 million (2017: £33.3 million).

12. Dividends

For the period ended 24 March 2018	£m
20 July 2017	**0.1**
21 November 2017	**0.5**
	0.6
For the period ended 25 March 2017	
30 June 2016	0.5
5 December 2016	2.1
3 February 2017	0.2
24 March 2017	8.8
	11.6

All dividends declared and paid were intra-group dividends paid to the parent entity, Top Gun Midco Limited, to enable its parent entity, Top Gun Bidco Limited, to pay certain parent expenses in connection with the Brait acquisition or to repurchase shares and preference shares from management leavers.

13. Property, plant and equipment

	Freehold land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
At 26 March 2016	10.6	557.3	567.9
Exchange movement	—	8.5	8.5
Additions [1]	(0.1)	42.3	42.2
Disposals	—	(28.1)	(28.1)
At 25 March 2017	10.5	580.0	590.5
Exchange movement	—	0.6	0.6
Additions	—	28.2	28.2
Disposals	(1.0)	(17.5)	(18.5)
At 24 March 2018	9.5	591.3	600.8
Accumulated depreciation			
At 26 March 2016	(0.9)	(422.6)	(423.5)
Exchange movement	—	(6.6)	(6.6)
Depreciation charge	(0.3)	(43.9)	(44.2)
Impairment charge	—	(0.2)	(0.2)
Disposals	—	27.7	27.7
At 25 March 2017	(1.2)	(445.6)	(446.8)
Exchange movement	—	(0.4)	(0.4)
Depreciation charge	(0.2)	(43.2)	(43.4)
Impairment charge	—	(23.3)	(23.3)
Disposals	—	14.3	14.3
At 24 March 2018	(1.4)	(498.2)	(499.6)
Net Book Value			
24 March 2018	**8.1**	**93.1**	**101.2**
25 March 2017	9.3	134.4	143.7

(1) Freehold land and buildings includes a release of £0.1 million (2016: £0.2 million) capital accrual.

Freehold land of £0.2 million (2017: £1.2 million) is not depreciated. During the period ended 24 March 2018, the Group sold land at Mercery Road, Weymouth (see note 10).

Depreciation of £4.2 million (2017: £4.5 million) is shown within cost of sales and £39.2 million (2017: £39.7 million) is shown within administrative expenses in the income statement.

Included within fixtures and equipment are assets in the course of construction of £4.2 million (2017: £9.2 million), which are not depreciated.

At 24 March 2018, the Group has entered into contractual commitments for the acquisition of property, plant and equipment amounting to £8.5 million (2017: £41.3 million), inclusive of the cost of bringing newly committed properties to a usable condition.

The trading performance for the period ended 24 March 2018 represents the main event triggering impairments (2017: loss making stores).

For the purpose of impairment assessment, the value in use of relevant groups of CGUs has been calculated as detailed in note 14. The resulting cash flows were discounted using a pre-tax discount rate of 8.82% for UK, 8.02% - 11.02% for International (2017: 8.83% all). This rate reflects management's estimate of the cost of capital for the business.

In addition to the assumptions set out in note 14, the calculation of value in use is also sensitive to the following assumptions:

- The Group estimates for the purposes of impairment testing that the rent at the end of the CVA will remain at the CVA level.
- The Group has identified 60 UK stores for potential closure as part of the CVA.
- The Group has estimated the future trading performance of individual stores using forecast growth rates.

14. Intangible assets

	Goodwill	Brands, trademarks and licences	Recoverable leasehold property premiums	Software licences	Total
	£m	£m	£m	£m	£m
Cost					
At 26 March 2016	365.3	281.6	10.1	110.9	767.9
Exchange movement	—	—	1.1	0.1	1.2
Additions	—	—	—	33.5	33.5
Disposals	—	—	(1.2)	(6.1)	(7.3)
At 25 March 2017	365.3	281.6	10.0	138.4	795.3
Exchange movement	—	0.1	0.1	—	0.2
Additions	—	—	—	18.6	18.6
Disposals	—	—	(2.2)	(26.8)	(29.0)
At 24 March 2018	365.3	281.7	7.9	130.2	785.1
Accumulated amortisation and impairment					
At 26 March 2016	—	—	(0.7)	(57.0)	(57.7)
Amortisation charge	—	—	—	(13.2)	(13.2)
Impairment charge	—	—	(0.7)	(0.1)	(0.8)
Disposals	—	—	0.5	6.1	6.6
At 25 March 2017	—	—	(0.9)	(64.2)	(65.1)
Exchange movement	—	—	(0.1)	—	(0.1)
Amortisation charge	—	—	—	(20.2)	(20.2)
Impairment charge	—	—	(1.4)	(2.2)	(3.6)
Disposals	—	—	0.4	26.6	27.0
At 24 March 2018	—	—	(2.0)	(60.0)	(62.0)
Net book value					
At 24 March 2018	**365.3**	**281.7**	**5.9**	**70.2**	**723.1**
At 25 March 2017	365.3	281.6	9.1	74.2	730.2

Amortisation of £1.5 million (2017: £1.7 million) is shown within cost of sales and £18.7 million (2017: £11.5 million) is shown within administrative expenses in the income statement.

Included within software licences are material intangible assets primarily related to launching our new Hybris online platform for UK and international websites and our retail stock management programme with a combined carrying amount of £52.4 million. The average remaining life of these assets is 49 months.

As at 24 March 2018, the Group had entered into contractual commitments for the acquisition of software amounting to £0.6 million (2017: £8.0 million).

The lowest CGUs within the Group are individual stores. Software licences and lease premiums have been allocated between these CGUs for the purpose of impairment review. Goodwill arising from business combinations and brands, trademarks and licences are all allocated to the UK. Recoverable leasehold property premiums with carrying amount of £5.9 million are allocated to France.

As at 24 March 2018, Brands represents the New Look brand 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 the New Look brand and has concluded that it has an indefinite useful life.

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. Due to the financial performance of stores within the period, to support the recoverable amount, value in use calculations were performed and in some cases independent third party valuations were obtained on the premiums paid resulting in an impairment charge of £1.4 million (2017: impairment charge of £0.7 million). A further £2.2 million (2017: £0.1 million) impairment charge was incurred on software which is not expected to be utilised in the foreseeable future.

The value in use of relevant groups of CGUs for impairment testing (including for property, plant and equipment) purposes have been determined based on calculations using cash flow projections from the financial plans covering a three 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 three years are based on the budget for the next financial period and management's most recent estimates thereafter. These budgets and plans are based on past experience and expectations for the market development of the relevant groups of CGUs; and
- The rate of growth used to extrapolate cash flows beyond the three year period is 2.0% per annum (2017: 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 and goodwill, the resulting cash flows were discounted using a pre-tax discount rate of 10.28% (2017: 8.83%). This rate reflects 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.

From management sensitivity testing performed, no reasonable change to the assumptions would result in impairment of Brand and goodwill.

15. Inventories

	As at	
	24 March 2018	25 March 2017
	£m	£m
Raw materials and work in progress	**2.8**	3.0
Finished goods	**144.5**	153.8
Spare parts	**1.8**	1.8
	149.1	158.6

Inventories with a value of £5.1 million (2017: £4.6 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 inventories are disclosed in note 7.

The main judgment involved in calculating the provision for inventories is the estimated utilisation of raw materials and work in progress. In addition to this, the net realisable value achieved on the sale of a provided item may vary to the net realisable value used in calculating the provision.

16. Trade and other receivables

	As at	
	24 March 2018	25 March 2017
	£m	£m
Current		
Trade receivables	32.1	30.1
Other receivables	15.1	12.6
Prepayments	28.7	43.0
Accrued income	2.2	4.7
	78.1	90.4
Non-current		
Other receivables	0.8	1.5
Prepayments	13.2	17.1
Accrued income	–	0.1
	14.0	18.7

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

	As at	
	24 March 2018	25 March 2017
	£m	£m
Sterling	73.6	90.0
Euro	9.1	11.8
US dollar	4.7	2.5
Renminbi	4.4	4.3
Zloty	0.3	0.5
	92.1	109.1

As at 24 March 2018, trade and other receivables of £35.2 million (2017: £35.1 million) were fully performing.

As at 24 March 2018, trade and other receivables of £12.8 million (2017: £9.1 million) were past due but not classed as impaired.

The ageing analysis of these is as follows:

	As at	
	24 March 2018	25 March 2017
	£m	£m
Up to 2 months	11.4	8.0
2 to 6 months	0.5	1.0
6 to 12 months	0.1	—
Greater than 12 months	0.8	0.1
	12.8	9.1

Included within the trade and other receivables balance is a bad debt provision of £4.0 million (2017: £6.9 million). The ageing of these receivables is as follows:

	As at	
	24 March 2018	25 March 2017
	£m	£m
Up to 2 months	—	0.5
2 to 6 months	2.4	0.1
6 to 12 months	0.1	—
Greater than 12 months	1.5	6.3
	4.0	6.9

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

	As at	
	24 March 2018	25 March 2017
	£m	£m
At start of period	6.9	6.0
Provisions for receivables impairment	2.3	0.7
Receivables written off during the period	(5.1)	—
Foreign exchange movement on provision for debts in foreign currencies	(0.1)	0.2
	4.0	6.9

In addition to the above, during the period to 24 March 2018, the Group booked a provision for impairment of £2.1 million of non-current other receivables.

The creation and release of the provision for impaired receivables has been included in administrative expenses. Amounts charged to the bad debt provision 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's maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

17. Derivative financial instrument assets

	As at	
	24 March 2018	25 March 2017
	£m	£m
Current assets		
Foreign currency contracts	–	18.6
Embedded foreign exchange derivatives	0.6	0.2
	0.6	18.8
Non-current asset		
Currency swaps	–	33.1
	–	33.1

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.

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

During the period ended 24 March 2018, the Group cancelled all of its currency swap agreements. The currency swap agreements and foreign currency contracts are detailed within notes 22 and 23.

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NOTES TO THE GROUP FINANCIAL STATEMENTS (continued)

18. Cash and cash equivalents

	As at	
	24 March 2018	25 March 2017
	£m	£m
Cash at bank and in hand	**35.5**	31.6
Short-term deposits	**10.4**	27.8
Restricted cash	**12.0**	12.1
Blocked cash	**1.4**	1.7
	59.3	73.2

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. Restricted cash comprises £12.0 million (2017: £12.1 million) held by the EBTs which can only be utilised for the benefit of employees. Blocked cash comprises £1.4 million (2017: £1.7 million) held as guarantees over leases in mainland Europe.

19. Trade and other payables

	As at	
	24 March 2018	25 March 2017
	£m	£m
Current		
Trade payables	**92.4**	107.0
Other taxation and social security	**5.5**	7.1
Other payables	**3.6**	2.9
Accruals	**82.1**	94.0
Interest accrual	**23.6**	22.5
Deferred income	**31.8**	33.8
	239.0	267.3
Non-current		
Other payables	**0.4**	0.1
Deferred income	**60.5**	61.5
Liability for cash-settled share based payments	**1.0**	1.1
	61.9	62.7

All items within trade and other payables are non-interest bearing. Standard terms for trade payables are settlement on either 60 or 75 day terms, unless otherwise specifically agreed. Included in accruals is £24.4 million (2017: £29.8 million) relating to inventory.

20. Borrowings

	As at	
	24 March 2018	25 March 2017
	£m	£m
Current		
Revolving credit facility	**100.0**	–
	100.0	–
Non-current		
Notes	**1,224.7**	1,218.1
	1,224.7	1,218.1

During the period ended 24 March 2018, the Group fully drew down its available revolving credit facility of £100.0 million.

Financial liabilities are stated net of unamortised capitalised issue costs of £14.6 million (2017: £17.5 million).

Further disclosure in respect of borrowings is provided in note 25.

21. Derivative financial instrument liabilities

	As at	
	24 March 2018	25 March 2017
	£m	£m
Current liabilities		
Foreign currency contracts	**19.8**	1.8
Currency swaps	**–**	1.9
Embedded foreign exchange derivatives	**–**	0.1
	19.8	3.8

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 currency swap agreements and foreign currency contracts are detailed within notes 22 and 23.

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

22. Financial instruments

Fair values

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

	As at	
	24 March 2018	25 March 2017
	£m	£m
Financial assets		
Cash and short-term deposits	**59.3**	73.2
Foreign currency contracts	**–**	18.6
Currency swaps	**–**	33.1
Embedded foreign exchange derivatives	**0.6**	0.2
Financial liabilities		
Senior notes	**176.7**	176.7
Senior secured notes	**1,062.5**	1,058.8
Capitalised debt fees[1]	**(14.5)**	(17.4)
Revolving credit facility	**100.0**	–
Foreign currency contracts	**19.8**	1.8
Currency swaps	**–**	1.9
Embedded foreign exchange derivatives	**–**	0.1

(1) Financial liabilities are stated net of capitalised debt fees within the financial statements

22. Financial instruments (continued)

Fair values (continued)

Using market prices, as at 24 March 2018, the fair value of the Senior notes was approximately £131.3 million lower (2017: £40.0 million lower) than the carrying value and the fair value of the Secured notes was approximately £514.5 million lower (2017: £111.0 million lower) than the carrying value.

The fair values of derivatives 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 Directors consider that the carrying amounts of all other financial instruments is equal to or approximate to their fair value.

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	
	24 March 2018	25 March 2017
	£m	£m
Notional amount of outstanding foreign currency contracts	**275.6**	408.4
Notional amount of outstanding currency swaps	**–**	162.9

The foreign currency contracts have expiry terms of between 1 and 10 months (2017: 1 and 12 months) and have been converted from the US dollar notional amounts using the closing US dollar rate of 1.415 (2017: 1.250). There are no currency swap contracts outstanding as at 24 March 2018 (2017: 15 months expiry at Sterling notional amounts based on a swap contract Euro rate of 1.381).

Category

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

	Assets at fair value through income statement	Loans and receivables	Derivatives used for hedging	**Total**
Assets per balance sheet	£m	£m	£m	**£m**
At 24 March 2018				
Derivative financial instruments	0.6	—	—	**0.6**
Trade and other receivables (excluding prepayments)	—	50.2	—	**50.2**
Cash and short term deposits	—	59.3	—	**59.3**
	0.6	109.5	—	**110.1**

	Liabilities at fair value through income statement	Derivatives used for hedging	Other financial liabilities at amortised cost	**Total**
Liabilities per balance sheet	£m	£m	£m	**£m**
At 24 March 2018				
Borrowings	—	—	1,324.7	**1,324.7**
Derivative financial instruments	—	19.8	—	**19.8**
Trade and other payables (excluding deferred income)	—	—	208.6	**208.6**
	—	19.8	1,533.3	**1,553.1**

Assets per balance sheet	Assets at fair value through income statement £m	Loans and receivables £m	Derivatives used for hedging £m	Total £m
At 25 March 2017				
Derivative financial instruments	0.2	—	51.7	**51.9**
Trade and other receivables (excluding prepayments)	—	49.0	—	**49.0**
Cash and short term deposits	—	73.2	—	**73.2**
	0.2	122.2	51.7	**174.1**

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 25 March 2017				
Borrowings	—	—	1,218.1	**1,218.1**
Derivative financial instruments	0.1	3.7	—	**3.8**
Trade and other payables (excluding deferred income)	—	—	234.7	**234.7**
	0.1	3.7	1,452.8	**1,456.6**

The following table presents the Group's assets and liabilities that are measured at fair value at 24 March 2018:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Embedded foreign exchange derivatives	—	0.6	—	**0.6**
Total assets	—	0.6	—	**0.6**
Liabilities				
Foreign currency contracts	—	19.8	—	**19.8**
Total liabilities	—	19.8	—	**19.8**

The following table presents the Group's assets and liabilities that are measured at fair value at 25 March 2017:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Foreign currency contracts	—	18.6	—	**18.6**
Currency swaps	—	33.1	—	**33.1**
Embedded foreign exchange derivatives	—	0.2	—	**0.2**
Total assets	—	51.9	—	**51.9**
Liabilities				
Foreign currency contracts	—	1.8	—	**1.8**
Currency swaps	—	1.9	—	**1.9**
Embedded foreign exchange derivatives	—	0.1	—	**0.1**
Total liabilities	—	3.8	—	**3.8**

22. Financial instruments (continued)

Category (continued)

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

Credit quality

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	As at	
	24 March 2018	25 March 2017
	£m	£m
Trade receivables		
Counterparties without external credit rating:		
Group 1	**0.2**	0.4
Group 2	**1.1**	4.5
Group 3	**30.8**	25.2
Total trade receivables	**32.1**	30.1

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 dealing with counterparties with a Fitch's credit rating of at least 'A'. Group treasury monitors counterparty credit ratings closely, reviewing limits and balances immediately following counterparty downgrades. At 24 March 2018, the Group had £42.2 million of cash and cash equivalents (2017: £55.4 million) held with institutions rated 'A' or above, £0.1 million (2017: £0.4 million) held with institutions rated 'A-' and £17.0 million (2017: £17.4 million) held with institutions rated between 'BBB- and BBB+' or unrated, with a combined credit limit of £695.0 million (2017: £695.0 million).

The Group limits its exposure with its counterparties to derivative financial instruments by generally only dealing with counterparties with a Fitch credit rating of 'A-' or above. At 24 March 2018, the Group had derivative financial liabilities of £13.1 million (2017: £28.1 million assets) with counterparties rated 'A' or above, £nil (2017: £14.8 million) held with institutions rated 'A-' and £6.7 million liabilities (2017: £8.9 million assets) held with institutions rated 'BBB+'.

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	1–2 years	2–5 years	5+ years
At 24 March 2018	£m	£m	£m	£m
Borrowings	100.0	—	1,062.6	176.7
Trade and other payables (excluding deferred income)	207.2	0.5	0.6	0.3
	<1 year	1-2 years	2-5 years	5+ years
At 25 March 2017	£m	£m	£m	£m
Borrowings	—	—	—	1,235.6
Trade and other payables (excluding deferred income)	233.5	0.5	0.7	—

The fully drawn RCF termination date is 25 June 2021, however the initial term of utilisation under the RCF agreement is 6 months with a non-cash rollover to new loans for the full notional value for a one month term thereafter without creating an acceleration or event of default under the RCF agreement.

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	1–2 years	2–5 years	5+ years
At 24 March 2018	£m	£m	£m	£m
Forward foreign currency contracts – cash flow hedges				
Outflow	293.7	—	—	—
Inflow	273.7	—	—	—
Currency swaps – cash flow hedges				
Outflow	—	—	—	—
Inflow	—	—	—	—

	<1 year	1–2 years	2–5 years	5+ years
At 25 March 2017	£m	£m	£m	£m
Forward foreign currency contracts – cash flow hedges				
Outflow	389.7	—	—	—
Inflow	406.5	—	—	—
Currency swaps – cash flow hedges				
Outflow	10.3	165.8	—	—
Inflow	8.4	199.2	—	—

Embedded foreign exchange derivatives

At 24 March 2018, 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 derivatives under IAS 39 are as follows:

	As at	
	24 March 2018	25 March 2017
	£m	£m
Fair value of embedded foreign exchange derivative assets	**0.6**	0.1

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23. 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	
	24 March 2018	25 March 2017
	£m	£m
Fair value of hedging instruments, qualifying for hedge accounting	**(19.8)**	16.8

Currency swaps

During the period ended 24 March 2018, the Group cancelled all 4 currency swap arrangements for £37.2 million and incurred costs of £1.2 million. At 25 March 2017, the Group had currency swap agreements of £162.9 million as cash flow hedges of the interest rate and currency exchange risk associated with the Group's Euro floating rate notes of £358.8 million. At the start of the period, the Group paid fixed rates on the swap agreements of between 6.233% and 6.252% (2017: 6.233% to 6.252%) with a Euro swap rate of 1.381 (2017: 1.381). During the period, the Group restruck 3 and cancelled 1 cross currency swap resulting in fixed rates between 5.130% to 6.238% (2017: 6.233% to 6.252%) with a swap rate between 1.119 and 1.280 (2017: 1.381). The Group cancelled the remaining 3 currency swap arrangements in March 2018. The currency swaps were due to expire in June 2018.

The fair values of the currency swaps are as follows:

	As at	
	24 March 2018	25 March 2017
	£m	£m
Fair value of currency swaps, qualifying for hedge accounting	**–**	31.2

Movement in fair values

	Currency swaps	Foreign currency contracts	Embedded derivatives	**Total**
	£m	£m	£m	**£m**
Fair value at 26 March 2016	13.7	23.8	(0.6)	**36.9**
Fair value gain through income statement – finance	16.7	—	—	**16.7**
Fair value gain/(loss) through income statement – operating	0.4	(0.7)	0.7	**0.4**
Fair value gain/(loss) to reserves	0.4	(6.3)	—	**(5.9)**
Fair value at 25 March 2017	31.2	16.8	0.1	**48.1**
Fair value gain through income statement – finance	5.8	—	—	**5.8**
Fair value gain/(loss) through income statement – operating	0.4	(2.8)	0.5	**(1.9)**
Fair value loss to reserves	(0.2)	(33.8)	—	**(34.0)**
Cash proceeds from restructuring of swaps	(37.2)	—	—	**(37.2)**
Fair value at 24 March 2018	—	(19.8)	0.6	**(19.2)**

The net fair value loss (2017: gain) to reserves on currency swaps comprises a net £6.0 million gain (2017: £17.5 million gain) recognised in equity during the period and the recycling out of equity of a £5.8 million (2017: £16.7 million gain) prior period gain, in addition to £0.4 million loss (2017: £0.4 million loss) of amortisation of the difference between the spot and forward rate relating to the final exchange on cross currency swaps which were recycled out of reserves and recognised within administrative expenses in the period. £37.2m was realised as cash upon cancellation of the currency swaps (2017: nil).

The net fair value loss to reserves on foreign currency contracts comprises a net £17.9 million loss (2017: net £16.0 million gain) on foreign currency contracts recognised in equity during the period and the recycling out of equity of a £15.9 million prior period gain (2017: £22.3 million gain) on final settlement of contracts taken out in prior periods included in operating gain during the financial period.

The income statement includes £5.8 million of gains (2017: £16.7 million of gains) recognised within finance expense (2017: finance expense) resulting from the Euro cross currency derivatives, accounted for as a cash flow hedge, recycled from reserves. The income statement also includes £nil (2017: £nil) recognised within administrative expenses (2017: administrative expenses) resulting from ineffectiveness of the Euro cross currency derivatives, £2.8 million of losses (2017: £0.7 million of losses) resulting from ineffectiveness of foreign currency contracts and £0.5 million of gains (2017: £0.7 million of gains) resulting from the fair value movement of embedded derivatives. The embedded derivatives are referred to within note 22. In addition, the income statement includes £0.4 million gain (2017: £0.4 million gain) of amortisation of the difference between the spot and forward rate relating to the final exchange on cross currency swaps which were recycled out of reserves and recognised within administrative expenses in the period.

24. Analysis of net debt

	25 March 2017	Cash flow	Non-cash changes	24 March 2018
	£m	£m	£m	**£m**
Cash and cash equivalents	73.2	(13.1)	(0.8)	**59.3**
Notes	(1,218.1)	–	(6.6)	**(1,224.7)**
Revolving credit facility	–	(100.0)	–	**(100.0)**
Currency swaps	31.2	(37.2)	6.0	**–**
Total net debt	(1,113.7)	(150.3)	(1.4)	**(1,265.4)**

Included in notes non-cash changes are net £3.7 million Euro notes revaluation losses and £2.9 million amortisation of capitalised fees.

	26 March 2016	Cash flow	Non-cash changes	25 March 2017
	£m	£m	£m	**£m**
Cash and cash equivalents	134.5	(67.4)	6.1	**73.2**
Notes	(1,207.6)	20.2	(30.7)	**(1,218.1)**
Currency swaps	13.7	–	17.5	**31.2**
Total net debt	(1,059.4)	(47.2)	(7.1)	**(1,113.7)**

Included in notes non-cash changes are net £30.8 million Euro notes revaluation losses and £3.0 million amortisation of capitalised fees, offset by a £3.1 million gain (excluding £0.1 million waived interest) on repurchase of Senior Notes.

25. Interest rate risk and liquidity risk

New Look Secured Issuer plc has issued senior secured notes which are made up of two tranches in Sterling and Euro. The Sterling notes are at a fixed coupon rate and the Euro notes are at the prevailing floating rate of interest based upon short-term inter-bank rates (three month EURIBOR) plus a fixed margin.

New Look Senior Issuer plc has issued Sterling senior notes at a fixed coupon rate.

		Fixed rate	Cash margin	Value	Maturity
	Rate	%	%		
GBP senior secured notes	Fixed	6.5	–	£700,000,000	1 July 2022
EUR senior secured notes	Floating	–	4.5	€415,000,000	1 July 2022
GBP senior notes	Fixed	8.0	–	£200,000,000	1 July 2023

On 25 June 2015, New Look Finance Limited entered into 4 cross currency swap contracts with Lloyds, The Royal Bank of Scotland, Deutsche Bank and HSBC Bank for a total of €225.0 million, which in aggregate fixed the GBP/EUR rate on the principle at 1.3812 and exchanged the floating Euro interest rate (three month EURIBOR) on the Euro senior secured notes for a fixed quarterly GBP coupon of 6.2418%.

All 4 currency swap contracts were cancelled in the period ending 24 March 2018, cash proceeds of £36.0 million were received, net of costs of £1.2 million.

The Sterling senior secured notes have a first call date of 24 June 2018 and up to this date the notes can be redeemed at par plus a make-whole premium of the greater of 1.0% of principal (and to the extent positive) the excess of the present value at redemption date plus all required interest payments using a discount rate equal to the applicable Gilt rate plus 50 basis points. After 24 June 2018 and up to 24 June 2019 the redemption price is 103.250% of principal, up to 24 June 2020 at 101.625% and thereafter repayable at par.

The Euro senior secured notes had a first call date of 24 June 2016 and up to this date the notes could be redeemed at par plus a make-whole premium of the greater of 1.0% of principal (and to the extent positive) the excess of the present value at redemption date plus all the required interest payments using a discount rate equal to the applicable Bund rate plus 50 basis points. After 24 June 2016 and up to 24 June 2017 the redemption price is 101.0% of principal and thereafter repayable at par.

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25. Interest rate risk and liquidity risk (continued)

The Sterling senior notes have a first call date of 24 June 2018 and up to this date the notes can be redeemed at par plus a make-whole premium of the greater of 1.0% of principal (and to the extent positive) the excess of the present value at redemption date plus all required interest payments using a discount rate equal to the applicable Gilt rate plus 50 basis points. After 24 June 2018 and up to 24 June 2019 the redemption price is 104.0% of principal, up to 24 June 2020 at 102.0% and thereafter repayable at par.

On 25 June 2015, the Group also entered into a re-negotiated multi-currency revolving credit facility (RCF) for £100.0 million which has a final termination date of 25 June 2021. Covenant measures commenced on 25 June 2016. The financial covenant Net Leverage Ratio test is only tested when the facility is drawn equal to or greater than 25% at 5pm on the last day of the most recent reporting quarter. If the ratio is exceeded at this time the covenant only acts as a draw stop on future drawings. There is no breach or default trigger from exceeding the ratio. As at 24 March 2018 the RCF was fully drawn, however the covenant measure ceased to be applicable from 6 March 2018 due to the amendments to the RCF as a result of the CVA.

Between 10 August 2016 and 24 August 2016, New Look FIN III Limited, a newly incorporated company and wholly owned subsidiary of New Look Finance Limited, repurchased a total of £23.3 million 8.0% Senior Notes issued by New Look Senior Issuer Plc in the open market for £20.2 million (including accrued interest). In addition, broker and custodial fees of £0.2 million were incurred.

On 14 September 2016, the notes repurchased by New Look FIN III Limited were cancelled. Legal and accounting fees of £0.1 million were incurred by the Group.

The Group's notional debt at 24 March 2018 is as follows:

	Rate	Fixed rate %	Cash margin %	Value	Maturity
GBP senior secured notes	Fixed	6.5	—	£700,000,000	1 July 2022
EUR senior secured notes	Floating	—	4.5	€415,000,000	1 July 2022
GBP senior notes	Fixed	8.0	—	£176,719,000	1 July 2023

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 24 March 2018

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	59.3	—	—	—	—	—	**59.3**
Revolving credit facility	(100.0)	—	—	—	—	—	**(100.0)**
Notes – Euro	—	—	—	—	(362.5)	—	**(362.5)**
	(40.7)	—	—	—	(362.5)	—	**(403.2)**

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are at fixed rates and therefore not exposed to interest rate risk:

Fixed 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**
Notes – Sterling	—	—	—	—	(700.0)	(176.7)	**(876.7)**
	—	—	—	—	(700.0)	(176.7)	**(876.7)**

Period ended 25 March 2017

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	73.2	—	—	—	—	—	**73.2**
Notes – Euro	—	—	—	—	—	(358.8)	**(358.8)**
	73.2	—	—	—	—	(358.8)	**(285.6)**

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are at fixed rates and therefore not exposed to interest rate risk:

Fixed rate

	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	More than 5 years	Total
	£m	£m	£m	£m	£m	£m	**£m**
Notes – Sterling	—	—	—	—	—	(876.7)	**(876.7)**
	—	—	—	—	—	(876.7)	**(876.7)**

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.

The closing balance of the Euro notes was converted at a rate of 1.1448 (2017: 1.1565).

Borrowing facilities

The Group has the following undrawn committed facilities available:

	As at	
	24 March 2018	25 March 2017
	£m	£m
Expiring within one year	**15.0**	5.0
Expiring in more than one year	**—**	100.0

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.

£100.0 million fully drawn (2017: £100.0 million undrawn) is a committed multi-currency revolving credit facility and matures in more than one year. A number of 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 operating facilities to the Group's suppliers totalling £85.0 million (2017: £73.0 million). Letters of credit of £56.4 million (2017: £24.7 million), supplier invoice financing of £20.2 million (2017: £nil) and £0.3 million (2017: £0.3 million) of other trade facilities were outstanding under these arrangements.

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

26. Provisions

	Onerous lease provisions	Dilapidations provisions	Onerous contracts	Exceptional provisions	Total
	£m	£m	£m	£m	**£m**
At 26 March 2016	7.8	—	—	—	**7.8**
Arising during the period	5.4	0.1	—	—	**5.5**
Utilised	(1.0)	—	—	—	**(1.0)**
Reversal of unused amounts	(1.3)	—	—	—	**(1.3)**
Exchange difference	(0.1)	—	—	—	**(0.1)**
At 25 March 2017	10.8	0.1	—	—	**10.9**
Arising during the period	10.1	1.4	5.7	2.9	**20.1**
Utilised	(4.2)	(0.1)	(5.6)	—	**(9.9)**
Reversal of unused amounts	(5.9)	—	—	—	**(5.9)**
At 24 March 2018	10.8	1.4	0.1	2.9	**15.2**

26. Provisions (continued)

	As at	
	24 March 2018	25 March 2017
	£m	£m
Current	8.9	4.9
Non-current	6.3	6.0
	15.2	10.9

Onerous lease provisions

The provision relates to future lease costs of vacant properties for the remaining period of the lease, net of expected sub–letting income, which is estimated to be used over one to six months, and a provision for onerous lease contracts on loss making stores. A provision is booked on loss making stores where the discounted future cash flows are not expected to cover future rental payments under the lease contract. A provision is made for the lower of discounted store cash outflows (including rental payments) and discounted rental payments. A discount rate of 1.93% has been applied for the UK stores and rates between 1.00% and 3.92% for International stores and management have made an assumption that the budgeted forecasts will be achieved. The provisions are estimated to be used over one to 90 months. Future operating losses are not provided for. The principle reason for the arising charges is the poor financial performance of stores within the International segment. The primary reason for the reversal of unused amounts is in relation to the CVA, £1.7 million, and the aborted move to the new head office in King's Cross, £3.7 million (see note 10).

Dilapidations provisions

The dilapidations provision of £1.4 million (2017: £0.1 million) is expected to be utilised over one to 12 months.

Onerous contracts

During the period ended 24 March 2018, a provision of £5.7 million was recognised in relation to onerous contracts as a result of the aborted move to King's Cross. £5.6 million of this has been utilised within the period.

Exceptional provisions

During the period ended 24 March 2018, the Group announced the approval of a Company Voluntary Arrangement (CVA) aimed at right-sizing the number of stores and addressing the over-rented position of the UK store portfolio. The Group identified 60 UK stores for potential closure, together with a further 6 sites which are sub-let to third parties. As a result the Group has recognised a £2.9 million provision for the exit costs associated with the 60 store closures and the compromised lease fund offered to landlords as part of the CVA proposal. This is expected to be utilised over one to 36 months.

27. Operating lease commitments

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

	As at	
	24 March 2018	25 March 2017 (Restated)
	£m	£m
Not later than one year[(1)]	139.4	181.4
Later than one year and not later than five years[(1)]	412.4	606.1
Later than five years[(1)]	311.6	479.2
	863.4	1,266.7

(1) Prior period figures have been restated for recalculation of minimum rentals payable in China. The restatement increased commitments not later than one year by £5.2 million and commitments later than one year and not later than five years by £15.6 million.

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

The reduction in operating lease commitments is primarily a result of the CVA which has resulted in rent reductions across 393 stores along with the identification of 60 stores for potential closure.

At the balance sheet date, total future payments expected to be received under non-cancellable sub-leases were £0.8 million (2017: £1.1 million).

The significant estimates and assumptions made in calculating the operating lease commitment are detailed in note 4(f).

28. Share based payments

Employee Shareholder Status (ESS) scheme

In September 2015, key personnel in the Group were offered participation in the ESS scheme with shares in Top Gun Bidco Limited gifted to employees at the discretion of the Board in exchange for employees giving up certain statutory employment rights. Each management shareholder was gifted a number of D1 or D2 ordinary shares or a mixture of both share classes.

Employees received shares worth at least £2,000 and income tax and employee and employer National Insurance contributions (NICs) were paid on the value exceeding £2,000.

The shares contain a Put option which entitles the employees to put their shares to Brait in line with the Put Option schedule with 20% vesting on 25 September 2018, 25% vesting on 25 September 2019, 25% vesting on 25 September 2020 and 30% vesting on 25 September 2021. Upon exit all shares vest in full. The Put purchase price is equal to the value based on the Brait Published Rate (BPR) which is derived from Brait's quarterly investment value in the New Look Group.

On leaving, the value of the shares is based on a four year straight-line vesting period from the date of grant. As a good leaver, employees will receive the BPR for vested shares and cost for unvested shares, whereas bad leavers only receive cost on both vested and unvested shares.

shares were awarded to management shareholders with a redemption right for a period of three months from the date of the award, for Top Gun Bidco Limited to redeem all of the employee's D1 shares whether vested or unvested at £5.00 per share. No employees exercised the redemption right.

Details of the ESS scheme shares outstanding during the period are as follows:

	For the financial periods	
	24 March 2018 Number of share options 000s	25 March 2017 Number of share options 000s
Outstanding at the beginning of the period	**59,500**	65,000
Granted in the period	**—**	—
Forfeited in the period	**(12,500)**	(5,500)
Outstanding at the end of the period	**47,000**	59,500
Exercisable at the end of the period	**—**	—
Weighted average remaining contractual life (months)	**11 months**	39 months
Weighted average share price at the date of exercise (pence)	**0.00**	0.00
Weighted average exercise price (pence)	**0.00**	0.00
Market value at period end (pence)	**0.00**	0.00
Highest market value (pence)	**0.00**	991.19
Lowest market value (pence)	**0.00**	0.00

The Put option schedule outlined above was used as the vesting profile and exercise period as it is on this basis that employees are entitled to benefit from the market value of the shares if they remain in employment for sufficient time to exercise the Put option.

The weighted average fair value of the shares granted under the ESS scheme was calculated at the date of grant using the Black-Scholes option pricing model. The following table lists the inputs to the model as at the date of grant and used for the periods ended 24 March 2018 and 25 March 2017.

Weighted average fair value (pence)	**930.09**
Weighted average share price (pence)	**930.09**
Exercise price (pence)	**0.00**
Expected volatility (%)	**29.42 to 33.13**
Expected life of option (years)	**3.00 to 6.00**
Dividend yield (%)	**0.00**
Risk-free interest rate (%)	**0.76 to 1.30**
Leaver rate	**5.00%**

28. Share based payments (continued)

Expected share price volatility is 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 the Put option schedule as outlined above.

The resulting equity settled charge of £19.6 million (2017: £11.6 million) was recognised in the income statement for the period ended 24 March 2018. The current year charge includes accelerated vesting in accordance with IFRS 2. One employee retained their shares after leaving the business which has resulted in an increased charge due to the accelerated vesting of these shares. No cash payment was made as a result of this. As a result of the shares forfeited in the period a charge of £nil (2017: £0.2 million) was incurred for cash settlement of employer's social security costs.

Joint Share Ownership Plan (JSOP) scheme

In June 2016 and December 2016, key personnel in the Group were offered participation in the JSOP scheme with shares in Top Gun Bidco Limited purchased jointly by the employee and the trustee of a new employee benefit trust established by New Look ('trustee').

The trustee has the right to the value of the share on the date of grant and the employee has the right to any future growth in the share value provided the hurdle is met. The hurdle is set at a growth rate of 5% a year. If the hurdle is not met then the trustee is entitled to the value of the share on the date of exercise.

The shares contain a Put option which entitles the employee to put their shares to Brait in line with the Put Option schedule with 20% vesting on the third anniversary, 25% vesting on the fourth anniversary, 25% vesting on the fifth anniversary and 30% vesting on the sixth anniversary. Upon exit all shares vest in full. The Put purchase price is equal to the value based on the Brait Published Rate (BPR) which is derived from Brait's quarterly investment value in the New Look Group.

The shares also contain a Share option which gives the employee the right to acquire the trustee's interest in the share for nil consideration. The Share option can only be exercised to the extent that the Put option has been exercised.

On leaving, the value of the shares is based on a four year straight-line vesting period from the date of grant. As a good leaver, employees will receive the BPR for vested shares and cost for unvested shares, whereas bad leavers only receive cost on both vested and unvested shares.

Details of the JSOP scheme shares outstanding during the period are as follows:

	For the financial periods	
	24 March 2018 Number of share options 000s	25 March 2017 Number of share options 000s
Outstanding at the beginning of the period	**3,000**	—
Granted in the period	**—**	3,000
Forfeited in the period	**(1,000)**	—
Outstanding at the end of the period	**2,000**	3,000
Exercisable at the end of the period	**—**	—
Weighted average remaining contractual life (months)	**37 months**	50 months
Weighted average share price at the date of exercise (pence)	**0.00**	0.00
Weighted average exercise price (pence)	**0.00**	0.00
Market value at period end (pence)	**0.00**	0.00
Highest market value (pence)	**0.00**	991.19
Lowest market value (pence)	**0.00**	0.00

The Put option schedule outlined above was used as the vesting profile and exercise period as it is on this basis that employees are entitled to benefit from the market value of the shares if they remain in employment for sufficient time to exercise the Put option and the Share option.

The weighted average fair value of the shares granted under the JSOP scheme was calculated at the date of grant using the Black-Scholes option pricing model for both the Put option and the Share option. In December 2016, the exercise price of the June grant was modified to reflect the current share value, this resulted in a reduction in the fair value of the grant. The charge for the June grant continues to be recognised with reference to the original grant date fair value.

The following table lists the inputs to the model as at the dates of grant for all grants made during the periods ended 24 March 2018 and 25 March 2017:

Put option	
Weighted average fair value (pence)	137.69
Weighted average share price (pence)	477.93
Exercise price (pence)	212.30 to 1,009.20
Expected volatility (%)	30.94 to 33.97
Expected life of option (years)	3.04 to 6.09
Dividend yield (%)	0.00
Risk-free interest rate (%)	0.24 to 1.09
Leaver rate	0.00%

Share option	
Weighted average fair value (pence)	477.93
Weighted average share price (pence)	477.93
Exercise price (pence)	0.00
Expected volatility (%)	30.94 to 33.97
Expected life of option (years)	3.04 to 6.09
Dividend yield (%)	0.00
Risk-free interest rate (%)	0.24 to 1.09
Leaver rate	0.00%

Expected share price volatility is 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 the Put option schedule as outlined above.

The resulting equity settled charge of £0.5 million (2017: £0.1 million) was recognised in the income statement for the period ended 24 March 2018.

Long Term Incentive Plan (LTIP)

In April 2016 a number of employees were granted an award under the LTIP. The LTIP award entitles the employee to accrue the specified award value, provided the set financial and personal performance related targets are achieved for the performance period. Performance periods are the same as the financial year and the financial and personal performance targets are set by the Remuneration Committee at the beginning of each performance period. Once fully vested the employee can exercise their award and receive the accrued award value. Upon exercise of the award, the Remuneration Committee will decide whether to settle the award with shares in Top Gun Bidco Limited or cash.

Two awards were made in April 2016, a 2 year award and a 3 year award. In April 2017, a 3 year award was granted.

Under the 2 year award, the award holder is entitled to receive between 33% and 67% of the award value over 2 years.

Under the 3 year awards, the award holder is entitled to receive between 50% and 100% of the award value over 3 years.

At the end of each performance period the financial and personal performance targets are evaluated and the amount of the award accrued is calculated on a pro-rata basis.

For the 52 weeks ended 24 March 2018, the financial performance targets were not met and therefore no awards have been accrued. As a result, the 2 year award has crystallised with no pay out.

Awards for subsequent years have been accrued across the vesting period, on the assumption that minimum targets are achieved. The amount of the award has been accrued as a cash settled share based payment scheme, as it is believed the Remuneration Committee will chose this settlement method.

The resulting cash settled charge of £0.1 million (2017: £1.1 million charge) was recognised in the income statement for the period ended 24 March 2018.

28. Share based payments (continued)

Effect on financial statements

The effect of accounting for share based payments, in accordance with IFRS 2, on the Group's loss (2017: loss) before taxation for the period is as follows:

	For the financial periods	
	52 weeks ended 24 March 2018	52 weeks ended 25 March 2017
	£m	£m
Equity settled share based payment schemes	**20.1**	11.9
Cash settled share based payment schemes	**0.1**	1.1
Total share based payment charge	**20.2**	13.0

29. Share capital

	Share capital	Share premium	**Total**
	£m	£m	**£m**
At 26 March 2016, 25 March 2017 and 24 March 2018	10.4	0.6	**11.0**

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.

The total number of allotted, called up and fully paid Ordinary A shares is 155.0 million (2017: 155.0 million) and the total number of allotted, called up and fully paid Ordinary B shares is 879.1 million (2017: 879.1 million) as at 24 March 2018. All shares have a par value of 1.0p.

30. Reconciliation of movements in reserves

	Reverse acquisition reserve	ESOPs reserve	Hedging reserve	Translation reserve	Accumulated losses	**Total**
	£m	£m	£m	£m	£m	**£m**
At 26 March 2016	(285.3)	11.3	18.1	7.7	(73.3)	**(321.5)**
Total comprehensive (expense)/income for the period	—	—	(4.7)	5.7	(20.1)	**(19.1)**
Share based payment charge	—	—	—	—	11.7	**11.7**
Dividends paid	—	—	—	—	(11.6)	**(11.6)**
At 25 March 2017	(285.3)	11.3	13.4	13.4	(93.3)	**(340.5)**
Total comprehensive (expense)/income for the period	—	—	(28.2)	1.4	(223.8)	**(250.6)**
Share based payment charge	—	—	—	—	20.1	**20.1**
Dividends paid	—	—	—	—	(0.6)	**(0.6)**
At 24 March 2018	(285.3)	11.3	(14.8)	14.8	(297.6)	**(571.6)**

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.

EBTs reserve

The EBTs reserve represents the gain made by the trusts on the transfer of shares to employees or disposal as part of the acquisition by Brait 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.

31. Retirement benefit schemes

The Group contributes to defined contribution pension schemes for employees in the UK, ROI, China, Poland and Belgium. At 24 March 2018, £0.5 million (2017: £0.7 million) was outstanding in respect of contributions payable to personal pension schemes. The Group pension cost recognised in the income statement was £3.0 million (2017: £2.5 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 March 2017 by an independent actuary, using the projected unit method. The major assumptions were:

	As at 25 March 2017 %
Rate of increase in salaries	2.0% – 2.5%
Discount rate	2.0%
Retirement age	62-64 years

These assumptions were applied in the period ended 24 March 2018. The pension liability at 24 March 2018 was £0.3 million (2017: £0.3 million), which is included in non-current other payables. The pension cost recognised in the income statement was £nil (2017: £0.1 million). During the financial period ended 24 March 2018, £nil (2017: £0.1 million) was recognised in other comprehensive income in relation to actuarial gains on post-employment benefit obligations.

32. Related party transactions

Transactions with EBTs

During the financial period ended 25 March 2017, the EBT purchased £8.8 million of preference shares from one key management personnel. These shares were subsequently repurchased from the EBT by Top Gun Bidco Limited for £8.8 million at no gain or loss. No such transactions occurred during the financial period ended 24 March 2018.

Transactions with Directors, key management personnel and private equity investors

During the financial period ended 24 March 2018, three (2017: see above transactions with EBTs) key management personnel sold an interest in preference shares of Top Gun Bidco Limited for a consideration of £0.5 million.

Other transactions regarding Directors' and key management personnel share interests are disclosed in note 8.

As at 24 March 2018, New Look Retailers Limited held property leases with Inception Holdings Sarl and Inception (Reading) Sarl, respectively a subsidiary and a joint venture of Tradehold Limited, a company over which two Directors have significant influence. Charges of £0.4 million (2017: £0.4 million) have been recognised through the income statement in the current financial period for these leases.

During the period ended 25 March 2017, a property lease previously held by New Look Retailers Limited was assigned to Brait. All expenses up to the date of lease assignment were settled by Brait.

As representatives of Brait, J Gnodde, C Wiese, J Wiese, A Walker, B Baisley and S Dougherty have an indirect economic interest in the shares of the Company held by the Brait funds. During the financial period, a monitoring fee of £0.3 million (2017: £0.3 million) was payable to Brait.

Transactions with joint venture

The joint venture was sold in May 2016 and as such is no longer a related party from this date. During the period ended 25 March 2017, purchases totalling £5.9 million were made from the joint venture. No amounts remain outstanding.

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

33. Investments in subsidiaries

All 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, all of which are private companies limited by shares, are consolidated into the financial results of the Group.

33. Investments in subsidiaries (continued)

Subsidiary	Nature	Registered address
New Look Finance Limited (1)	Financing	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Senior Issuer plc	Financing	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Secured Issuer plc	Financing	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look FIN III Limited	Financing	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Finance II Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Bondco I Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
Pedalgreen Limited (1)	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
Trinitybrook Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
Hamperwood Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Group Limited	Holding	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Limited	Holding	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Retailers Limited	Trading	Mercery Road, Weymouth, Dorset, England DT3 5HJ
Geometry Properties Limited	Holding	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Overseas Limited	Holding	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Retailers (CI) Limited	Trading	1st & 2nd floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW
New Look Holdings (France) SAS	Holding	29 rue du Pont, CS 20070, 92578, Neuilly-sur-Seine Cedex France
New Look France SAS	Trading	64 rue du Dessous des Berges, 11 rue Leredde, 75013 Paris, France
New Look Belgium SA	Trading	rue Grétry n°12 Bruxelles 1000, Belgium
New Look (Singapore) PTE Limited	Holding	80 Robinson Road, #02-00, Singapore 068898
New Look Retailers (Ireland) Limited	Trading	3 Burlington Road, Dublin 4, Republic of Ireland
New Look Germany GmbH	Dormant	Ulmenstraße 37-39, 60325 Frankfurt am Main, Germany
New Look Poland Sp. z o.o.	Trading	Ul. Piękna 18, 00-549 Warsaw, Poland
Cenzora Enterprises Limited	Holding	Chrisorrogiatissis & Kolokotroni Street, 3040, Limassol, Cyprus
New Look Commerce (Shanghai) Co. Limited	Trading	Room 801-804 & 808, No. 150 Zun Yi Road, Office Tower C, The Place, Changning District, Shanghai, China
Weymouth Gateway Property Management Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ

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

During the financial period ended 24 March 2018, New Look Treasury Limited, Fashion Focus Limited, Customer Direct Limited, New Look Card Services Limited and Geometry Properties (Tonypandy) Limited, all of which were previously dormant, were liquidated as they were surplus to requirements. In addition, New Look Holland BV was liquidated as the Netherlands is no longer a strategic focus for the Group.

On 6 April 2018, two new holding subsidiaries - Geometry Holdings Limited and Geometry PropCo1 Limited were incorporated as wholly owned subsidiaries of Geometry Properties Limited.

On 31 May 2018, New Look Finance Holdings Limited was incorporated as a wholly owned subsidiary of New Look Retail Group Limited.

In May 2016, the Group sold its 50% stake in the ordinary share capital of NLT Tekstil Sanayi Ve Ticaret Limited Şirketi, a joint venture whose registered address is Merkez Mah. Yalçın Koreş Cad. Arifağa Sok. No:25, Yenibosna, Bahçelievler, İstanbul, Turkey.

34. Events after the reporting period

On 10 May 2018, New Look Retailers Limited ('NLR') (a wholly owned subsidiary of New Look Retail Group Limited) and Brait Capital International Limited ('BCIL') entered into a Debtor Purchase Agreement ('Agreement'). The terms of the Agreement allow NLR to sell and assign approved debtor balances to BCIL with no recourse. A factoring charge of 3 month LIBOR plus 2.0% is payable. Since the signing of this agreement, NLR has sold and assigned £10.6 million of invoices to BCIL. The invoices sold under this arrangement relate to the sale of stock after the period end date of 24 March 2018, therefore there is no financial impact on the period reported. This arrangement has resulted in a working capital benefit to the Group.

35. Ultimate controlling party

The ultimate controlling party is Brait which holds approximately 80% of the issued share capital of Top Gun Bidco Limited, which is a holding company registered in Jersey. Top Gun Midco Limited holds 100% of the issued share capital of New Look Retail Group Limited. The smallest group of undertakings to include these financial statements in their consolidation is New Look Retail Group Limited and the largest is Top Gun Bidco Limited.

Copies of the financial statements can be obtained from New Look House, Mercery Road, Weymouth, Dorset, DT3 5HJ. The financial statements of Top Gun Bidco Limited are not publicly available.

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

Report on the audit of the Company financial statements

Opinion

In our opinion, New Look Retail Group Limited's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 24 March 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Company balance sheet as at 24 March 2018; the Company statement of changes in equity for the 52 week period then ended; and the notes to the Company financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. Given the net current liability position of the Company, the Directors have taken into account the performance of the Group when considering the going concern status of the Company, given its reliance on the Group to meet its liabilities as they fall due. The uncertainty surrounding future trading of the Group and the ability of the Group to achieve the objectives of the turnaround plan, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 24 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the Group financial statements of New Look Retail Group Limited for the 52 week period ended 24 March 2018. That report includes a material uncertainty relating to going concern.

Rosemary Shapland

Rosemary Shapland
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

7th June 2018

NEW LOOK RETAIL GROUP LIMITED
COMPANY BALANCE SHEET

		As at	
		24 March 2018	25 March 2017
	Note	£m	£m
Non-current assets			
Investments in subsidiaries	7	736.9	834.2
		736.9	834.2
Current assets			
Other receivables	8	0.7	0.7
Cash and cash equivalents	5	12.0	12.1
		12.7	12.8
Total assets		749.6	847.0
Current liabilities			
Other payables	9	(40.1)	(39.7)
Total liabilities		(40.1)	(39.7)
Net assets		709.5	807.3
Equity			
Share capital	11	10.4	10.4
Share premium		0.6	0.6
EBT reserve	12	11.3	11.3
Accumulated profits – opening balance		785.0	785.0
(Loss)/profit for the financial period		(97.2)	11.6
Dividends paid		(0.6)	(0.6)
Accumulated profits – closing balance		687.2	785.0
Total equity		709.5	807.3

The notes on pages 93 to 97 are an integral part of these financial statements.

The financial statements on pages 91 to 97 were approved by the Board of Directors on 7 June 2018 and were signed on its behalf by:

A K McGeorge.

Alistair McGeorge
Executive Chairman

New Look Retail Group Limited
Registration number: 05810406

NEW LOOK RETAIL GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY

		Attributable to the owners of New Look Retail Group Limited				
		Share capital	Share premium	EBT reserve	Accumulated profits	Total equity
	Notes	£m	£m	£m	£m	£m
Balance at 26 March 2016		10.4	0.6	11.3	785.0	807.3
Comprehensive income and expense						
Profit for the financial period		–	–	–	11.6	11.6
Total comprehensive income		–	–	–	11.6	11.6
Transactions with owners:						
Dividends paid	6	–	–	–	(11.6)	(11.6)
Total transactions with owners		–	–	–	(11.6)	(11.6)
Balance at 25 March 2017		10.4	0.6	11.3	785.0	807.3
Comprehensive income and expense						
Loss for the financial period		–	–	–	(97.2)	(97.2)
Total comprehensive income		–	–	–	(97.2)	(97.2)
Transactions with owners:						
Dividends paid	6	–	–	–	(0.6)	(0.6)
Total transactions with owners		–	–	–	(0.6)	(0.6)
Balance at 24 March 2018		**10.4**	**0.6**	**11.3**	**687.2**	**709.5**

The notes on pages 93 to 97 are an integral part of these financial statements.

NEW LOOK RETAIL GROUP LIMITED
NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of New Look Retail Group Limited for the 52 weeks ended 24 March 2018 were authorised for issue by the Board of Directors on 7 June 2018 and the balance sheet was signed on the Board's behalf by Alistair McGeorge.

New Look Retail Group Limited, a private limited company, is incorporated and domiciled in England and Wales and is an intermediate parent company. The results of the Company are included in the consolidated financial statements of New Look Retail Group Limited (the 'Group') which are available from New Look House, Mercery Road, Weymouth, Dorset, DT3 5HJ. The registered number of the Company is 05810406.

2. Summary of significant accounting policies

The financial statements of the Company, for the financial period ended 24 March 2018, have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006. The Company has prepared these financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

2.1 Basis of preparation

The Company has taken advantage of the following disclosure exemptions from the requirements of International Financial Reporting Standards (IFRS) in accordance with FRS 101.

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of 'International Accounting Standard 1, Presentation of financial statements' (IAS1) comparative information requirements in respect of paragraph 79(a)(iv) of IAS1
- The following paragraphs of IAS1, 'Presentation of financial statements':
- 10(d) (statement of cash flows)
- 16 (statement of compliance with all IFRS)
- 38A (requirement for minimum of two primary statements, including cash flow statements)
- 38B-D (additional comparative information)
- 111 (cash flow statement information)
- 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures (key management compensation)
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

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.

The financial statements are prepared in Pound Sterling and all values are rounded to the nearest 0.1 million pounds.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The principal accounting policies which have been applied consistently are set out below.

2.1.1 Going concern

Given the net current liability position of the Company, the Directors have taken into account the performance of the Group when considering the going concern status, given its reliance on the Group to meet its liabilities as they fall due. (details of which are included within the Year in Review on pages 12 and 13).

Despite the disappointing performance of the Group for the period ended 24 March 2018, the Directors are confident that a sustained upturn in trade will be achieved following the launch of the turnaround plan. This robust plan delivers significant identifiable cost savings which the Directors have confidence of achieving; specifically the rent reductions resulting from the CVA. Further efficiencies and cost savings have already been identified and implemented providing the Directors with further confidence that these will also be delivered. FY18 trading was impacted by certain non-recurring costs which are only relevant for the current period. In addition, the revised trading, product and supply strategy is underway and further supported by a brand relaunch in April 2018. If the projected results are achieved then the Group has adequate resources to continue its operations for the foreseeable future and to meet its obligations as they fall due. In addition, following the amendments to the terms of the indenture and facilities agreement as part of the CVA, there remains a basket for additional permitted indebtedness, including £60.0 million of secured facilities.

Given the current external economic headwinds which all retailers are experiencing, the Directors have also considered the impact on the Group if the trading results do not recover as quickly as projected. Management have modelled a range of sensitivity scenarios including delays to an improvement in trade as a result of external factors such as lower consumer confidence and reduced footfall.

Management have also reviewed the latest trading results since the brand relaunch in April 2018. Whilst early indications are positive it is difficult to conclude with sufficient certainty that the projected level of trading improvement will be achieved given the short period of time since this relaunch. While the cost saving initiatives will significantly improve the financial results of the Group, there will be challenges over the Group's ability to continue as a going concern if it is not able to improve the trading performance.

After making appropriate enquiries and considering the uncertainties described above, the Directors consider that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. If results fall short of projected expectations and the Group cannot access the additional liquidity this would obviously give rise to a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Company financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

2.2 Changes in accounting policy and disclosures

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 24 March 2018, have had a material impact on the Company.

2.3 Investments

Investments are stated at historical cost less provisions for impairment. The need for any investment impairment write down is assessed by comparing the carrying value of the asset against the higher of its fair value less costs to dispose or its value in use. A review of investments is performed at the end of the first full period following acquisition and in other periods if there is an indication of impairment.

2.4 Taxation

Corporation tax payable is provided on taxable profits at the current rate, relevant to the financial period.

2.5 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.

2.6 Share capital

Ordinary share capital is classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

2.7 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividends are only declared when the Directors are satisfied that the Company has sufficient distributable reserves to do so.

3. 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 Company makes estimates, judgements and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are not considered to be any judgements applied within the Company that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period. The estimates and assumptions that have a significant risk of causing a material adjustment are discussed below:

Significant estimates and assumptions

(a) Estimated impairment of investments in subsidiaries

The Company tests whether investments have suffered any impairment in accordance with the accounting policy stated in note 2.3. The recoverable amounts of cash-generating units (CGUs) have been determined based on the higher of value in use or fair value less cost to sell.

4. Result of the Company

Audit fees of £5,000 (2017: £5,000) are borne by another Group company. The aggregate remuneration paid to the auditors in relation to services received by the Group is disclosed in the Group consolidated financial statements in note 7.

New Look Retail Group Limited had no employees during the period (2017: none).

Directors' remuneration is borne by another Group company. Details of Directors' remuneration are disclosed in note 8b to the Group consolidated financial statements.

5. Cash and cash equivalents

Cash and cash equivalents comprises £12.0 million (2017: £12.1 million) held by the EBTs which is restricted and can only be utilised for the benefit of employees.

6. Dividends

For the period ended 24 March 2018	£m
20 July 2017	**0.1**
21 November 2017	**0.5**
	0.6
For the period ended 25 March 2017	
30 June 2016	0.5
5 December 2016	2.1
3 February 2017	0.2
24 March 2017	8.8
	11.6

All dividends declared and paid were intra-group dividends paid to the parent entity, Top Gun Midco Limited, to enable its parent entity, Top Gun Bidco Limited, to pay certain parent expenses in connection with the Brait acquisition or to repurchase shares from management.

7. Investments in subsidiaries

	£m
Cost	
As at 25 March 2017 and 24 March 2018	834.2
Provision for impairment	
As at 25 March 2017	–
Impairment	(97.3)
As at 24 March 2018	(97.3)
Net book value	
As at 24 March 2018	**736.9**
As at 25 March 2017	834.2

Investments represent holdings in subsidiary undertakings.

The Directors believe the carrying value of investments is supported by the value in use of the trading subsidiaries. The key assumptions underlying the trading performance of these subsidiaries is disclosed in note 14 of the Group consolidated financial statements. Should gross profit be 1% lower than forecast a further impairment of £95.5 million of the investment would be required. Should the pre-tax WACC increase by 100 bps, a further impairment of £45.4 million of the investment would be required.

All subsidiary companies in which the Company or its subsidiaries hold 100% of the ordinary shares and voting rights are listed below. These companies, all of which are private companies limited by shares, are consolidated into the financial results of the Group.

Subsidiary	Nature	Registered address
New Look Finance Limited (1)	Financing	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Senior Issuer plc	Financing	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Secured Issuer plc	Financing	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look FIN III Limited	Financing	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Finance II Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Bondco I Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
Pedalgreen Limited (1)	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
Trinitybrook Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
Hamperwood Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Group Limited	Holding	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Limited	Holding	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Retailers Limited	Trading	Mercery Road, Weymouth, Dorset, England DT3 5HJ
Geometry Properties Limited	Holding	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Overseas Limited	Holding	Mercery Road, Weymouth, Dorset, England DT3 5HJ
New Look Retailers (CI) Limited	Trading	1st & 2nd floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW
New Look Holdings (France) SAS	Holding	29 rue du Pont, CS 20070, 92578, Neuilly-sur-Seine Cedex France
New Look France SAS	Trading	64 rue du Dessous des Berges, 11 rue Leredde, 75013 Paris, France
New Look Belgium SA	Trading	rue Grétry n°12 Bruxelles 1000, Belgium
New Look (Singapore) PTE Limited	Holding	80 Robinson Road, #02-00, Singapore 068898
New Look Retailers (Ireland) Limited	Trading	3 Burlington Road, Dublin 4, Republic of Ireland
New Look Germany GmbH	Dormant	Ulmenstraße 37-39, 60325 Frankfurt am Main, Germany
New Look Poland Sp. z o.o.	Trading	Ul. Piękna 18, 00-549 Warsaw, Poland
Cenzora Enterprises Limited	Holding	Chrisorrogiatissis & Kolokotroni Street, 3040, Limassol, Cyprus
New Look Commerce (Shanghai) Co. Limited	Trading	Room 801-804 & 808, No. 150 Zun Yi Road, Office Tower C, The Place, Changning District, Shanghai, China
Weymouth Gateway Property Management Limited	Dormant	Mercery Road, Weymouth, Dorset, England DT3 5HJ

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

During the financial period ended 24 March 2018, New Look Treasury Limited, Fashion Focus Limited, Customer Direct Limited, New Look Card Services Limited and Geometry Properties (Tonypandy) Limited, all of which were previously dormant, were liquidated as they were surplus to requirements. In addition, New Look Holland BV was liquidated as the Netherlands is no longer a strategic focus for the Group.

On 6 April 2018, two new holding subsidiaries - Geometry Holdings Limited and Geometry PropCo1 Limited were incorporated as wholly owned subsidiaries of Geometry Properties Limited.

On 31 May 2018, New Look Finance Holdings Limited was incorporated as a wholly owned subsidiary of New Look Retail Group Limited.

In May 2016, the Group sold its 50% stake in the ordinary share capital of NLT Tekstil Sanayi Ve Ticaret Limited Şirketi, a joint venture whose registered address is Merkez Mah. Yalçın Koreş Cad. Arifağa Sok. No:25, Yenibosna, Bahçelievler, İstanbul, Turkey.

8. Other receivables

	As at	
	24 March 2018	25 March 2017
	£m	£m
Current		
Amounts owed by Group undertakings	**0.7**	0.7

Amounts owed by Group undertakings are interest free, unsecured and repayable on demand.

9. Other payables

	As at	
	24 March 2018	25 March 2017
	£m	£m
Current		
Amounts owed to Group undertakings	**40.1**	39.6
Accruals	**–**	0.1
	40.1	39.7

Amounts owed to Group undertakings are interest free, unsecured and repayable on demand.

10. Financial commitments

The Company had no capital commitments at 24 March 2018 (2017: none).

11. Share capital

	As at	
	24 March 2018	25 March 2017
	£m	£m
Allotted, called up and fully paid:		
155,000,000 Ordinary A shares of 1p each (2017: 155,000,000)	**1.6**	1.6
879,126,079 Ordinary B shares of 1p each (2017: 879,126,079)	**8.8**	8.8
	10.4	10.4

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 and speak at general meetings. The shares also have a right to receive a dividend.

12. EBT reserve

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

The initial consideration paid for ordinary shares in the Company held by the EBTs was shown as a deduction in capital and reserves as treasury shares.

The EBT reserve represents the gain made by the trust on the transfer of shares to employees or disposal as part of the acquisition by Brait at a higher price than purchased.

	As at	
	24 March 2018	25 March 2017
	£m	£m
Opening and closing EBT reserve	**11.3**	11.3

13. Contingent liability

The Group has a fully drawn multi-currency revolving credit facility (RCF) for £100.0 million to which the Company is a party to a cross guarantee. The RCF has a final termination date of 25 June 2021.

14. Related party transactions

The Directors of the Company had no material transactions with the Company during the period, other than those disclosed in note 32 of the Group consolidated financial statements.

15. Events after the reporting period

On 10 May 2018, New Look Retailers Limited ('NLR') (a wholly owned subsidiary of New Look Retail Group Limited) and Brait Capital International Limited ('BCIL') entered into a Debtor Purchase Agreement ('Agreement'). The terms of the Agreement allow NLR to sell and assign approved debtor balances to BCIL with no recourse. A factoring charge of 3 month LIBOR plus 2.0% is payable. Since the signing of this agreement, NLR has sold and assigned £10.6 million of invoices to BCIL. The invoices sold under this arrangement relate to the sale of stock after the period end date of 24 March 2018, therefore there is no financial impact on the period reported. This arrangement has resulted in a working capital benefit to the Group.

16. Ultimate controlling party

The ultimate controlling party is Brait which holds approximately 80% of the issued share capital of Top Gun Bidco Limited, which is a holding company registered in Jersey. Top Gun Midco Limited holds 100% of the issued share capital of the Company. The smallest group of undertakings to include these financial statements in their consolidation is New Look Retail Group Limited and the largest is Top Gun Bidco Limited.

Copies of the financial statements can be obtained from New Look House, Mercery Road, Weymouth, Dorset, DT3 5HJ. The financial statements of Top Gun Bidco Limited are not publicly available.

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FORWARD—LOOKING STATEMENTS

This annual report contains 'forward—looking statements' within the meaning of the securities laws of certain jurisdictions, including statements under the captions 'Overview', 'Strategic report', our 'Business model', 'Year in review', 'Financial review', 'Risks & uncertainties' and in other sections of this annual report. In some cases, these forward—looking statements can be identified by the use of forward—looking terminology, including the words 'believes', 'could', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'plans', 'continue', 'ongoing', 'potential', 'predict', 'project', 'target', 'seek', 'should' or 'would' or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward—looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry in which we operate.

By their nature, forward—looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward—looking statements are not guarantees of future performance. You should not place undue reliance on these forward—looking statements.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward—looking statements contained in this annual report.

These risks and others described under 'Risks & Uncertainties' are not exhaustive. Other sections of this annual report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward—looking statements. Given these risks and uncertainties, you should not rely on forward—looking statements as a prediction of actual results.

Any forward—looking statements are only made as of the date of this annual report and we do not intend, and do not assume any obligation, to update forward—looking statements set forth in this annual report. You should interpret all subsequent written or oral forward—looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this annual report. As a result, you should not place undue reliance on these forward—looking statements.

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