Consolidated Financial Statements
for the Financial Year 2009
in accordance with
International Financial Reporting Standards

Auditors' Report

TOM TAILOR Holding AG

Hamburg

2009

Consolidated Financial Statements
for the Financial Year 2009
in accordance with
International Financial Reporting Standards

Auditors’ Report

TOM TAILOR Holding AG

Hamburg

APPENDICES

I. Consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2009

II. Consolidated statement of financial position as at 31 December 2009

III. Consolidated statement of cash flows for the financial year from 1 January to 31 December 2009

IV. Changes in consolidated equity for the financial year from 1 January to 31 December 2009

V. Notes to the consolidated financial statements for the financial year from 1 January to 31 December 2009

VI. Auditors’ report

TOM TAILOR HOLDING AG
HAMBURG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2009 (IFRS)

	Note	2009 EUR '000	2008 EUR '000
Revenue	(1)	**300.214**	**283.474**
Other operating income	(2)	12.838	10.214
Cost of materials	(3)	-162.487	-166.224
Personnel expenses	(4)	-41.315	-39.567
Depreciation, amortisation and impairments	(5)	-21.069	-18.191
Other operating expenses	(6)	-72.298	-76.963
Operating earnings		**15.883**	**-7.257**
Interest result	(7)	**-17.704**	**-21.735**
Net earnings before tax		**-1.821**	**-28.992**
Income tax expense	(8)	-3.825	3.663
Net earnings for the year		**-5.646**	**-25.329**
Other comprehensive income			
Exchange differences on translating of foreign operations		7	-202
Total comprehensive income, net of tax		**-5.639**	**-25.531**
Earnings per share in EUR	(9)		
Basic earnings per share		-1,13	-5,07
Diluted earnings per share		-1,13	-5,07

TOM TAILOR HOLDING AG, HAMBURG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2009 (IFRS)

A S S E T S	Note	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
NON-CURRENT ASSETS			
Intangible assets	(10)	139.872	147.064
Property, plant and equipment	(11)	19.938	19.644
Deferred income tax	(12)	254	613
Other assets	(13)	2.011	540
Prepaid assets	(13)	4.445	0
		166.520	167.861
CURRENT ASSETS			
Inventories	(14)	31.412	30.816
Trade receivables	(15)	33.363	37.423
Income tax receivable	(12)	436	2.112
Cash and cash equivalents	(16)	14.091	11.448
Other assets	(13)	3.083	2.141
Prepaid assets	(13)	1.203	958
		83.588	84.898
		250.108	252.759

L I A B I L I T I E S A N D S H A R E H O L D E R S' E Q U I T Y	Note	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
SHAREHOLDERS' EQUITY			
Subscribed capital	(17)	5.000	5.000
Capital reserve	(18)	52.380	52.380
Accumulated deficit	(19)	-125.368	-119.722
Accumulated other comprehensive income	(20)	-193	-200
		-68.181	-62.542
NON-CURRENT LIABILITIES			
Pension provisions	(21)	176	174
Other provisions	(22)	135	223
Deferred income tax	(23)	34.285	36.562
Financing liabilities	(24)	187.732	171.830
Other liabilities	(26)	4.797	4.675
Unearned income	(27)	3.961	5.052
		231.086	218.516
CURRENT LIABILITIES			
Other provisions	(22)	13.365	14.292
Current income tax	(23)	5.712	784
Financing liabilities	(24)	10.275	29.989
Trade payables	(25)	50.920	44.693
Other liabilities	(26)	5.840	6.179
Unearned income	(27)	1.091	848
		87.203	96.785
		250.108	252.759

TOM TAILOR HOLDING AG, HAMBURG
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2009 (IFRS)

	2009 EUR '000	2008 EUR '000
Net earnings for the year	-5.646	-25.329
Depreciation, amortisation and impairments of intangible assets and property, plant and equipment	21.068	18.191
Change in non-current provisions	-86	-131
Cash Flow	15.336	-7.269
Non-cash interest on shareholder loans	2.204	2.661
Non-cash PIK interest on Mezzanine financing	1.862	1.635
Change in deferred income taxes	-1.918	480
Change in current provisions	-927	-719
Loss on disposal of intangible assets and property, plant and equipment	-156	-157
Change in inventories	-596	37
Change in receivables and other assets	-1.367	-6.297
Change in current liabilities	10.091	12.457
Other non-cash changes	184	-106
Net cash from operating activities	24.713	2.722
Capital expenditures on intangible assets and property, plant and equipment	-11.497	-23.668
Proceeds from disposal of intangible assets and property, plant and equipment	159	165
Net cash used in investing activities	-11.338	-23.503
Shareholders' contribution to capital reserve	0	15.000
Shareholders' contribution	9.000	0
Proceeds from financing liabilities	2.550	20.704
Repayment of financing liabilities	-22.283	-11.390
Net cash (used in)/from financing activities	-10.733	24.314
Effect of exchange rate changes on cash and cash equivalents	1	55
Change in cash and cash equivalents	2.643	3.588
Cash and cash equivalents at beginning of period	11.448	7.860
Cash and cash equivalents at end of period	14.091	11.448
Composition of cash and cash equivalents		
Cash on hand and at banks	14.091	11.448

TOM TAILOR HOLDING AG, HAMBURG
CHANGES IN CONSOLIDATED EQUITY
FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2009 (IFRS)

	Subscribed Capital EUR '000	Contributions made to carry out resolved capital increase EUR '000	Capital reserve EUR '000	Accumulated deficit EUR '000	Accumulated other comprehensive income EUR '000	Equity attributable to owners of the parent company EUR '000	Minority interests EUR '000	Total EUR '000
01. Januar 2007	25	4.975	37.380	-107.171	9	-64.782	142	-64.640
Entry of capital contribution in commercial register	4.975	-4.975	0	0	0	0	0	0
Consolidated net income for the year	0	0	0	12.778	0	12.778	0	12.778
Acquisition of minority interest	0	0	0	0	0	0	-142	-142
Other comprehensive loss	0	0	0	0	-7	-7	0	-7
31 December 2007	5.000	0	37.380	-94.393	2	-52.011	0	-52.011
Contribution to capital reserve	0	0	15.000	0	0	15.000	0	15.000
Net loss for the year	0	0	0	-25.329	0	-25.329	0	-25.329
Other comprehensive loss	0	0	0	0	-202	-202	0	-202
31 December 2008	5.000	0	52.380	-119.722	-200	-62.542	0	-62.542
Net loss for the year	0	0	0	-5.646	0	-5.646	0	-5.646
Other comprehensive income	0	0	0	0	7	7	0	7
31 December 2009	5.000	0	52.380	-125.368	-193	-68.181	0	-68.181

Notes to the Consolidated Financial Statements (IFRS) for the Financial Year 2009

TOM TAILOR Holding AG

Hamburg

CONTENTS **Page**

A.	**GENERAL INFORMATION**	**1**
B.	**ACCOUNTING POLICIES**	**7**
C.	**NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME**	**15**
D.	**NOTES TO THE STATEMENT OF FINANCIAL POSITION**	**22**
E.	**MANAGEMENT OF FINANCIAL RISKS AND DERIVATIVES**	**46**
F.	**NOTES TO THE STATEMENT OF CASH FLOWS**	**55**
G.	**SEGMENT REPORTING**	**56**
H.	**OTHER DISCLOSURES**	**60**

A. GENERAL INFORMATION

Tom Tailor is a vertically integrated group offering fashionable casual wear for ladies, gentlemen and children. The Group positions itself as a system supplier in the premium area of the average price segment under the lifestyle brand "TOM TAILOR".

The ultimate parent company of the Tom Tailor Group is TOM TAILOR Holding AG, which is domiciled in Hamburg, Germany, and registered in the commercial register of the municipal court of Hamburg under HRB No. 103641. The address of the registered domicile is Garstedter Weg 14, 22453 Hamburg.

Basis of preparation of the financial statements

The consolidated financial statements of TOM TAILOR Holding AG ("the consolidated financial statements") have been prepared in accordance with the International Financial Reporting Standards (IFRS) effective at the reporting date and as adopted in the EU. All Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are effective for the financial year 2009 have also been complied with.

The consolidated statement of comprehensive income has been prepared using the nature-of-expenses format. The consolidated statement of financial position and the consolidated statement of comprehensive income are in accordance with the classification requirements of IAS 1 “Presentation of Financial Statements".

The consolidated financial statements have been prepared in euro. Unless otherwise stated, all amounts are in thousand euros (EUR '000). Rounding differences in additions are possible. The consolidated financial statements have generally been prepared using the historical cost principle. An exception are derivative financial instruments, which are measured at fair value.

The accounting policies used are generally the same as those used in the prior year, with the exceptions listed below.

The consolidated financial statements as at 31 December 2009 reflect the following new Standards, amendments of Standards, and Interpretations which are effective for financial years ending on 31 December 2009:

- IAS 1 “Presentation of Financial Statements” (effective date: 1 January 2009)
- IFRS 8 “Operating Segments” (effective date: 1 January 2009)
- IFRS 7 “Improving Disclosures about Financial Instruments” (effective date: 1 January 2009)

These new Standards and amendments have affected the consolidated financial statements.

IAS 1 “Presentation of Financial Statements”
The revised Standard requires changes in shareholders’ equity arising from transactions with shareholders in their capacity as owners to be presented separately from other changes in shareholders’ equity. In addition, the Standard introduces a statement of comprehensive income, which includes all income and expenses recognised in the income statement as well as all components of income recognised directly in equity. These amounts are presented either in one single statement or in two related statements. The Group has decided to present one single statement.

IFRS 8 “Operating Segments”
IFRS 8 replaces IAS 14 “Segment Reporting” as of its effective date. The Group has determined that the operating segments identified in accordance with IFRS 8 are the same as the segments previously identified in accordance with IAS 14. The disclosures required by IFRS 8, including adjusted comparative information, are provided in Section G.

IFRS 7 “Improving Disclosures about Financial Instruments”
The amended Standard requires additional disclosures about the determination of fair values and about liquidity risk. The amendment calls for a quantitative analysis of the determination of fair values for each class of financial instruments recognised at fair value, based on a three-level hierarchy. Additionally, the Standard now requires a reconciliation of the opening and closing balances for financial instruments measured using a fair value in level 3 of this hierarchy. As well, significant reclassifications between level 1 and 2 of the hierarchy have to be disclosed. The amendment also clarifies the disclosure requirements regarding liquidity risk related to derivative transactions and to assets used to manage liquidity.

In addition, the following Standards and Interpretations with no or only minor relevance to the operations of the Group and the preparation of the consolidated financial statements were effective as at 31 December 2009:

Standard (IFRS) or Interpretation (IFRIC)	
IAS 23*	Borrowing costs
IAS 32	Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 39 IFRIC 9	Financial Instruments: Recognition and Measurement – Embedded Derivatives
IFRS 2	Share-based Payment – Vesting Conditions and Cancellations
IFRS 1* IAS 27*	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRIC 13	Customer Loyalty Programmes
IFRIC 14 IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

*amendments of existing Standards

The omnibus standard “Improvements to IFRS” issued in April 2009 includes minor changes to existing Standards, most of which are effective 1 January 2009.

The following Standards and Interpretations which are relevant to the operations of the Group have been issued but are not yet effective as at 31 December 2009, and the Company has not adopted these Standards and Interpretations early:

- IFRS 3 / IAS 27 “Business Combinations” and “Consolidated and Separate Financial Statements”. In January 2008, the IASB issued the revised Standards IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements”, which are effective for financial years beginning on or after 1 July 2009. IFRS 3 (2008) revises the application of the acquisition method of accounting for business combinations. Significant changes relate to the measurement of non-controlling interests, the recognition of business combinations achieved in stages and the treatment of contingent consideration and acquisition-related costs. Once the amendment is effective, non-controlling interests can be measured either at fair value (full goodwill method) or at the proportional fair value of identifiable net assets. For business combinations achieved in stages, ownership interests held at the time control is obtained will be remeasured at fair value with any differences recognised in income. Adjustments to contingent consideration recognised as a liability at the acquisition date will be recognised in income. Acquisition-related costs will be expensed as incurred.

Significant changes in IAS 27 (2008) relate to the recognition of transactions while an entity maintains control as well as transactions resulting in the loss of control. Transactions not leading to a loss of control are recognised in equity without affecting income. Remaining ownership interests are remeasured at fair value at the time control is lost. The revised Standard permits non-controlling interests to have negative balances, i.e. in future, losses will be attributed proportionately with no limit. The revisions will affect future acquisitions or losses of control over subsidiaries and transactions regarding ownership interests not leading to a change in control.

- Amendment of IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items": The amended Standard was issued in July 2008 and is effective for financial years beginning on or after 1 July 2009. The amendment clarifies how the principles in IAS 39 on hedge accounting should be applied to a one-sided risk in a hedged item and to the designation of inflation risk as a hedged item. The Group does not expect these changes to have an effect on its net assets, financial position or results of operations.

- IFRS 1 "Restructuring of the Standard" (effective date: 1 January 2010)

- IFRIC 12 "Service Concession Arrangements" (effective date: 30 March 2009)

- IFRIC 15 "Agreements for the Construction of Real Estate" (effective date: 1 January 2010)

- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective date: 1 July 2009)

- IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective date: 1 July 2009)

- IFRIC 18 "Transfers of Assets from Customers" (effective date: Transfers made on or after 1 July 2009)

The Group does not expect these latter Standards and Interpretations to have a significant impact on its net assets, financial position or results of operations.

Scope of consolidation

The scope of consolidation of the Tom Tailor Group comprises TOM TAILOR Holding AG as ultimate parent company and the following subsidiaries:

Direct subsidiaries

- Tom Tailor GmbH, Hamburg
- Tom Tailor (Schweiz) AG, Baar, Switzerland
- BRS Purchase Consultants GmbH, Hamburg

Indirect subsidiaries

- Tom Tailor Retail GmbH, Hamburg
- Tom Tailor Gesellschaft m.b.H., Wörgl, Austria
- Tom Tailor Retail Gesellschaft m.b.H., Wörgl, Austria
- Tom Tailor International Holding B.V., Oosterhout, Netherlands
- Tom Tailor Benelux B.V., Oosterhout, Netherlands
- Tom Tailor (Schweiz) Retail AG, Dietikon, Switzerland
- Tom Tailor Showroom AG, Glattbrugg, Switzerland
- TOM TAILOR FRANCE SARL, Paris, France

Investments:

Direct investment:

- TT OFF SALE (NI) LTD., Belfast, United Kingdom of Great Britain and Northern Ireland

Indirect investment:

- TT OFF SALE (Ireland) LTD, Dublin, Ireland

All subsidiaries are wholly-owned, except for Tom Tailor Gesellschaft m.b.H., Wörgl, Austria, and its wholly-owned subsidiary, Tom Tailor Retail Gesellschaft m.b.H., Wörgl, Austria, in which the parent company owns a 75% interest.

A combined put and call option agreement on the remaining minority interest of 25% at fixed conditions entered into in November 2007 has led to the transfer of economic ownership to Tom Tailor GmbH. The transfer was accounted for as an acquisition in stages, such that Tom Tailor Gesellschaft m.b.H. is treated as a wholly-owned subsidiary. As a result, the minority interest was derecognised in 2007.

OVAL-T Limited, Hong Kong, People's Republic of China, has not been consolidated. OVAL-T Limited does not have any operating activities and is therefore of subordinate

importance for the presentation of a true and fair view of the net assets, financial position and results of operations.

During the year, TOM TAILOR Retail Ireland Ltd. was being wound up. Tom Tailor GmbH holds all of the shares. TOM TAILOR Retail Ireland Ltd. did not have any operating activities during the year. As result, it did not have any revenue or net income for the year. The company has also not been consolidated.

TT OFF SALE (NI) LTD., Belfast, United Kingdom of Great Britain and Northern Ireland, was founded in 2008. As one of the founding shareholders, Tom Tailor GmbH holds a 49.0% interest in TT OFF-SALE (NI) LTD. During the year, TT OFF SALE (Ireland) LTD., Dublin, Ireland, was founded as a wholly-owned subsidiary of TT OFF SALE (NI) LTD.

The investment in TT OFF SALE (NI) LTD. and its subsidiary TT OFF SALE (Ireland) LTD is accounted for in the consolidated financial statements using the equity method. The reporting date of these companies is that of the consolidated financial statements. For further details please see Section D. “Investments”.

Reporting date and financial year of the Group

The consolidated financial statements were prepared as at the Group reporting date of 31 December 2009 (prior year: 31 December 2008). The Group financial year comprises the period from 1 January 2009 to 31 December 2009 (prior year: 1 January 2008 to 31 December 2008).

The reporting date and financial year of the Group coincide with those of all consolidated subsidiaries.

B. ACCOUNTING POLICIES

General policies

The financial statements of the consolidated entities are prepared using uniform accounting and measurement policies in accordance with IAS 27.

Consolidation policies

Business combinations are accounted for using the purchase method in accordance with IFRS 3. Acquired assets and liabilities of subsidiaries are recognised at fair value at the time of acquisition.

Any remaining excess of acquisition cost over the proportion of the net fair value acquired is capitalised as goodwill and tested for impairment regularly, at least annually.

Profits and losses on intragroup transactions are eliminated. Revenue, expenses and profits as well as intragroup receivables and liabilities and provisions are offset against each other. Profits and losses on intragroup sales of non-current assets and inventories are also eliminated.

Deferred taxes are recognised on temporary differences arising from consolidation entries as required by IAS 12.

During the year, TT OFF SALE (Ireland) LTD. was included in the consolidated financial statements for the first time. This indirect investment in the company is accounted for using the equity method.

Currency translation

The Group currency of Tom Tailor is the euro (EUR).

Financial statements of Group companies in foreign currency are translated following the concept of a functional currency (IAS 21 “The Effects of Changes in Foreign Exchange Rates”) using the modified closing rate method. The functional currency of subsidiaries is determined based on their primary economic environment and therefore coincides with the respective local currency. In the consolidated financial statements, expenses and income in financial statements of subsidiaries that have been prepared in foreign currency are translated at the average rate for the year, whereas assets and liabilities are translated at the mean rate on the reporting date. The exchange difference arising on the translation of equity at historical rates and the translation differences arising from

the statement of comprehensive income are shown in accumulated other comprehensive income without affecting earnings.

At initial recognition, foreign currency receivables and liabilities in the individual financial statements of the consolidated entities are measured at the spot rate at the date of the transaction. Foreign exchange gains and losses that have occurred as at the reporting date are taken to profit and loss.

Exchange rates used in currency translation that are significant to the consolidated financial statements have moved as follows:

	Closing rate		Average rate	
	31 Dec. 2009 EUR	31 Dec. 2008 EUR	2009 EUR	2008 EUR
U.S. Dollar	1.44	1.40	1.39	1.47
Swiss Franc	1.48	1.49	1.51	1.59

Recognition of income and expenses

Revenue from sales of products is recognised when legal title or the risks of ownership are transferred to the customer, provided a price has been agreed or is determinable and collectibility is assured. Revenue is shown net of any early-payment discounts, markdowns, customer bonuses or rebates.

Royalties and other income are recognised on an accrual basis in accordance with the terms of the relevant agreements.

Operating expenses affect income when the goods or services are received or when the expenses are incurred.

Interest is recognised as incurred using the effective interest rate of the underlying assets and liabilities.

Goodwill

Goodwill arising from business combinations is capitalised and tested for impairment in accordance with IAS 36 on a regular basis, at least annually.

Other intangible assets

As required by IAS 38 “Intangible Assets”, both purchased and internally generated intangible assets are capitalised if it is probable that a future economic benefit will flow from the use of the asset and the cost of the asset can be determined reliably. They are recognised at cost and, if they have a definite useful life, are amortised straight-line over their useful lives, which range from three to seventeen years. The Company does not use the revaluation model.

Intangible assets with indefinite useful lives are tested for impairment on a regular basis, at least annually, and, if found to be impaired, are written down to their recoverable amount. If the reason for a previously recognised impairment loss ceases to exist, the impairment loss is reversed such that the new carrying amount equals amortised cost.

Amortisation expense and impairment losses are presented under "Depreciation and amortisation expense" in the statement of comprehensive income.

Development costs are expensed as incurred since they do not meet the conditions for capitalisation under IAS 38. These are mainly costs of developing collections and creating new product lines.

Property, plant and equipment

All property, plant and equipment is measured at cost pursuant to IAS 16, less depreciation and impairment losses, if any. Depreciation on property, plant and equipment is recognised straight-line, which reflects the pattern of use. Depreciable items of property, plant and equipment with different useful lives are depreciated separately.

In view of their insignificance, low value assets with a cost of up to EUR 150.00 are expensed in the year of addition.

Depreciation is based groupwide on the following useful lives:

	Useful life in years
Store interiors and leasehold improvements	5 - 10
IT- and technical equipment	3 - 10
Other equipment, furniture and fixtures	1 - 5

Both useful lives and carrying amounts are examined periodically to determine whether they reflect the pattern of consumption of the assets' economic benefits. If there is evidence that the recoverable amount of an asset may have fallen below its carrying amount, the asset is tested for impairment.

The Company does not use the revaluation model.

Finance leases

Under IAS 17, the economic ownership of leased assets is attributed to the lessee if the lease agreement transfers substantially all risks and rewards associated with ownership to the lessee (finance lease). Assets classified as assets under finance leases are capitalised at the lower of their fair value and the present value of the minimum lease payments.

Depreciation is charged straight-line over the shorter of the expected useful life and the lease term. Obligations to make lease payments in the future are recognised as financing liabilities at their present value.

The interest portion of lease obligations is expensed over the lease term.

Investments

Shares in unconsolidated affiliated entities are measured at the lower of cost or fair value. Their value is less than EUR 1,000.

The 49.0% interest in the subscribed capital of TT OFF SALE (NI) LTD. is accounted for in the consolidated financial statements using the equity method.

Financial instruments

(a) General

Financial instruments are accounted for in accordance with IAS 39 and – where relevant to the Tom Tailor Group – subdivided into the following categories:

- financial instruments at fair value through profit or loss,
- financial assets held to maturity,
- financial assets available for sale, and
- loans and receivables.

The classification depends on the purpose for which the financial instruments were acquired.

Financial instruments encompass both derivative and non-derivative claims or obligations. Derivative financial instruments are used to hedge the fair value of recognised assets and liabilities or future cash flows.

All purchases and sales of financial assets are accounted for as at the trade date. A financial asset is initially recognised when the Group has become party to the contract.

Financial instruments are recognised at amortised cost or at fair value. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Financial assets are derecognised when the rights to cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership, or, in the case of loans and receivables, on settlement.

Fair value generally corresponds to the market value or price quoted on an exchange. If there is no active market, fair value is determined by generally accepted valuation techniques using market parameters as at the relevant reporting date, as well as by obtaining confirmations from banks.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

At initial recognition, financial assets are measured at fair value; for financial assets not measured at fair value through profit and loss, transaction costs are included.

Loans and receivables not held for trading, held to maturity investments, and all financial assets that do not have a market price quoted in an active market and whose fair value cannot be determined reliably are measured at amortised cost using the effective interest method, if they have a fixed term to maturity. If such financial assets do not have a fixed term, they are measured at acquisition cost.

In accordance with IAS 39 “Financial Instruments: Recognition and Measurement”, the Company regularly assesses whether objective substantial evidence indicates that an impairment of a financial asset or portfolio of assets has occurred. After an impairment test is performed, any impairment loss is recognised in earnings.

(b) Derivative financial instruments

During the year, the Group used derivative financial instruments to hedge interest and foreign exchange risks arising from its operating activities and to hedge forecast purchases of merchandise in foreign currency.

Under IAS 39, all derivative financial instruments are recognised at their fair value on the trade date. Any changes in fair value of derivative financial instruments not qualifying for hedge accounting under IAS 39 are recognised in profit or loss.

Deferred taxes

In accordance with IAS 12 “Income Taxes”, deferred tax assets and liabilities are recognised on all temporary differences between amounts recognised in the tax balance sheet and the IFRS statement of financial position (balance sheet liability method) as well as for certain consolidation entries. The only exceptions are deferred taxes on initial recognition of goodwill or on initial recognition of an asset or a liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting earnings nor taxable earnings.

Deferred tax assets also include tax benefits arising from the expected use of existing loss carryforwards in subsequent years which are sufficiently probable of being realised. Deferred taxes are calculated using currently enacted tax rates that apply or are expected to apply at the time of realisation in the individual countries.

Deferred taxes are shown as non-current.

Receivables and other assets

Receivables and other assets are recognised at cost. All detectable risks are accounted for by recognising appropriate allowances for impairment. Receivables bearing no or low interest with a term of more than one year are discounted using the effective interest method. The recoverability of receivables is assessed based on their probability of default. Specific allowances are recognised for receivables past due.

Inventories

Raw materials, supplies and consumables as well as merchandise are generally measured at average cost.

If necessary, inventories are written down to lower realisable selling prices net of any selling costs still to be incurred.

In order to account for inventory risks, individual write downs are made for certain inventories based on analyses of inventory levels and turnover.

Cash and cash equivalents

Cash and cash equivalents are measured at face value.

Pension provisions

Pension provisions are determined using the projected unit credit method set out in IAS 19, based on conservative estimates of the inputs to this method. The calculation is based on actuarial reports using biometric data. The defined benefit obligation is shown net of the fair value of the assets under qualifying reimbursement insurance policies ("plan assets").

Actuarial gains and losses are recognised in full in profit or loss each year. Interest expense arising from amortisation of the discount on the pension obligation as well as the expected return on the reimbursement insurance assets are recognised in the interest result. All other expenses related to the recognition of pension obligations are included in personnel expenses.

Other provisions

Other provisions are recognised if a present legal or constructive obligation exists towards a third party that will probably lead to a future outflow of resources and the amount of the provision can be estimated reliably. Their carrying amount includes both direct and indirect costs. Non-current provisions due in more than one year are recognised at the present value of their settlement amount as at the reporting date.

If an outflow of resources is not more likely than not but is also not remote, the contingent liability is described in the notes to the consolidated financial statements.

Financial and other liabilities

Financial liabilities are initially recognised at cost, which is the fair value of the consideration received. Transaction costs are also included. Except for derivative financial instruments, liabilities are subsequently measured at amortised cost using the effective interest method. Other liabilities are recognised at their settlement amount.

Significant judgements, assumptions and estimates

The preparation of the consolidated financial statements requires the use of judgement, assumptions and estimates that affect the amount and presentation of assets and

liabilities, income and expenses, as well as contingent liabilities. In particular, assumptions and estimates are required in determining the fair value increments associated with the allocation of the excess of acquisition cost over the book values of net assets acquired in business combinations, testing intangible assets and property, plant and equipment for impairment, determining groupwide uniform useful lives, estimating the collectibility of receivables, measuring and recognising provisions, and assessing the realisability of future tax benefits. Although these estimates reflect management’s current knowledge, actual results may differ from these estimates. Changes are taken to profit and loss when new information comes to light.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed as incurred.

Events after the reporting period

Events after the reporting period that provide additional information on the position of the Group as at the reporting date (adjusting events) are reflected in the financial statements.

If they are material, events after the reporting date that do not qualify for recognition in the financial statements (non-adjusting events) are disclosed in the notes.

C. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

1. Revenue

Revenue includes amounts charged to customers for provision of goods, net of discounts.

Please refer to the section on segment reporting for an analysis of revenue by operating segment and by geographical area.

2. Other operating income

Other operating income consists of the following:

	2009 EUR '000	2008 EUR '000
Foreign exchange gains	3,564	162
Royalties	2,576	3,254
Recharged freight and other costs	1,592	1,551
Income from recharged marketing expenses	1,290	1,672
Shopfitting commissions	1,259	292
Insurance proceeds	219	1,243
Income from the reversal of allowances for impairment	89	0
Income from the reversal of provisions	0	112
Miscellaneous other operating income	2,249	1,928
	12,838	10,214

As a consequence of the favourable movement of the U.S. dollar against the Euro and the related changes in fair values of the forward exchange contracts the Company entered into in 2008, foreign exchange gains have increased significantly from the prior year.

3. Cost of materials

Cost of materials mainly consists of expenditures for purchased merchandise.

4. Personnel expenses

Personnel expenses are made up as follows:

	2009 EUR '000	2008 EUR '000
Wages and salaries	35,371	34,134
Social security, pension expenses and other benefit expenses	5,944	5,433
	41,315	39,567

The increase in personnel expenses is mainly a result of increased staffing levels in the Retail segment. On the other hand, the headcount in the Wholesale segment decreased as a result of the transfer of 64 staff as at 31 December 2008 in connection with the outsourcing of the logistics department to the logistics provider DHL.

The average number of employees (excluding members of the management board, trainees and temporary help) is:

	2009	2008
Blue-collar staff	15	65
White-collar staff	789	705
	804	770

Wages and salaries include redundancy payments of EUR 385,000 (prior year: EUR 802,000).

5. Depreciation, amortisation and impairments

Please refer to the discussion of intangible assets (D.10) and property, plant and equipment (D.11) for details of depreciation, amortisation and impairments.

The increase in depreciation, amortisation, and impairments is primarily due to the capital expenditures made in connection with the expansion activities of the TOM TAILOR Group in prior years as well as in the current year.

6. Other operating expenses

Other operating expenses consist of the following:

	2009 EUR '000	2008 EUR '000
Distribution expenses		
Advertising and trade fairs	6,869	10,940
Freight out	6,181	7,955
Sales commissions	2,874	4,952
Travel expenses	2,062	2,349
Miscellaneous other distribution expenses	832	856
	18,818	27,052
Administrative expenses		
Legal and professional fees	3,754	4,908
IT expenses	2,414	1,595
Telephone, fax, postage	918	892
Insurance	851	583
Memberships and fees	825	811
Bank charges	662	1,637
Ancillary personnel expenses and voluntary employee benefits	456	529
Foreign exchange losses	104	3,755
Miscellaneous other administrative expenses	1,329	1,410
	11,313	16,120
Operating and other expenses		
Rent expense	18,140	14,099
Expenses for commissioned goods	8,184	1,426
Bad debt expense	4,768	4,127
Online shop service provider	3,796	2,173
Vehicle fleet	2,181	2,072
Temporary staff and freelancers	1.656	6,683
Repairs and maintenance	1,643	1,568
Miscellaneous other operating expenses	1,799	1,643
	42,167	33,791
	72,298	76,963

Particularly the optimisation of the marketing strategy enabled the Company to reduce distribution expenses. Shops and stores managed by the Company including the Company-owned online shop were used for marketing measures (so-called POS

marketing), leading to a decrease in expenses while simultaneously strengthening the TOM TAILOR brand. In addition to general savings in freight out costs, sales commissions fell as a result of EUR 2.5 million in commissions paid to former commercial agents in 2008 on sales completed after their agency contracts were terminated.

Legal and professional fees have decreased as a result of several specific projects in the prior year.

The decrease in bank charges can be attributed to an arrangement fee paid to the bank in the prior year in connection with financing obtained for the Tom Tailor Group.

The significant increase in e-commerce revenue has led to a marked rise in IT expenses compared to the prior year.

The decrease in foreign exchange losses is due to the favourable movement in the U.S. dollar. Please refer to the discussion under E. MANAGEMENT OF FINANCIAL RISKS AND FINANCIAL DERIVATIVES for details of foreign exchange derivatives on hand at the reporting date and remeasured through profit and loss.

The increase in rent expense is mainly due to an increase in the number of retail and outlet stores in the Retail segment in 2008 and 2009.

The increased expenses for commissioned goods and the decreased expenses for temporary staff and freelancers are directly related to the outsourcing of the logistics department to DHL completed in December 2008.

The increase in online shop service provider expenses is attributable to the disproportionately high increase in revenue from the online shop distribution channel as well as to the cooperations with online distributors entered into in 2009.

7. Interest result

	2009 EUR '000	2008 EUR '000
Interest income	20	638
Interest expense	-17,724	-22,373
	-17,704	-2,735

Interest expense has been incurred mainly on bank debt and shareholder loans, and includes structuring costs of EUR 666,000 (prior year: EUR 484,000) related to purchase price financing.

The reduction in interest expense is primarily attributable to interest rate movements in the capital markets and the interest-related hedging instruments, which are valued at fair value through profit and loss, as well as scheduled principal repayments on bank debt.

Interest expense includes expenses arising from amortisation of the discount on pension provisions of EUR 75,000 (prior year: EUR 69,000). Additionally, the Company has incurred interest expense from amortisation of the discount on financing liabilities related to the in substance acquisition of a minority interest of EUR 173,000 (prior year: EUR 164,000).

8. Income tax expense

The significant components of income tax expense are as follows:

	2009 EUR '000	2008 EUR '000
Current income tax expense	-5,744	-909
Deferred taxes		
on consolidation	2,520	2,268
from other sources	-601	2,304
	1,919	4,572
	-3,825	3,663

Deferred taxes from other sources result from the creation or reversal of temporary differences between the recognised amounts of assets and liabilities in the consolidated statement of financial position and in the tax balance sheets. Deferred taxes arising on consolidation entries affecting net income are calculated using a consistent tax rate of 30.0% (prior year: 30.0%).

Of the existing tax loss carryforwards in Switzerland and at Tom Tailor Benelux B.V., no deferred tax assets were recognised on EUR 2.9 million and EUR 0.9 million, respectively, due to the limited carryforward period (2012 and 2015, respectively).

The Company also did not recognise deferred tax assets on the tax loss carryforwards of TOM TAILOR FRANCE SARL of EUR 2.4 million. As that company is in the start-up phase, it is not currently expected that the losses can be utilised within the next three years.

Expected tax expense can be reconciled to actual tax expense as follows:

	2009 EUR '000	2008 EUR '000
Earnings before income taxes	-1,821	-28,992
Average total tax rate	30%	30%
Expected income tax expense	546	8,698
Reconciliation:		
Limit on deductibility of interest expense	-2,590	-4,088
Difference in tax rates	223	26
Other non-deductible expenses and non-taxable income	-1,274	-106
Prior period adjustments	-420	-209
Other	-310	-658
Actual income tax expense	-3,825	3,663

Due to the limit on the deductibility of interest expenses in accordance with Section 4h(4) EStG (*German Income Tax Law*) the Group was unable to deduct EUR 8,634,000 in interest expense in determining taxable income. This resulted in additional income taxes of EUR 2,590,000.

Differences in tax rates reflect the difference between the trade tax rate used to calculate deferred taxes and the actual mixed trade tax rate.

Other non-deductible expenses and non-taxable income represent mainly expenses that are not tax deductible and items which are added back for trade tax purposes.

Prior period adjustments represent payments and refunds of income taxes related to prior years.

Other includes e.g. temporary tax effects from consolidation entries.

9. Earnings per share

Earnings per share are calculated in accordance with IAS 33 by dividing the consolidated earnings attributable to the owners of TOM TAILOR Holding AG by the weighted average number of shares outstanding during the current year.

As there were no dilutive shares outstanding at either 31 December 2008 or 31 December 2009, diluted earnings per share are identical to basic earnings per share.

The following table shows the earnings and the weighted average number of ordinary shares used to calculate earnings per share:

	2009	2008
Share of consolidated earnings attributable to owners of the parent company in (EUR '000)	-5,646	-25,329
Weighted average number of ordinary shares (in thousands of shares)	5,000	5,000
Earnings per share (in EUR)	-1.13	-5.07

D. NOTES TO THE STATEMENT OF FINANCIAL POSITION

10. Intangible assets

Intangible assets consist of the following:

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Licences and similar rights		
Fair value increments recognised in purchase accounting		
Brand	62,221	62,221
Customer bases	37,475	43,598
Licence agreements and other	17,771	19,710
	117,467	125,529
Other licences and similar rights		
Shopfitting contributions	14,052	12,513
Other usage rights	1,964	2,031
Software	693	825
	16,709	15,369
Software leased under finance leases	118	720
	134,294	141,618
Goodwill		
from the acquisition of the minority interest in Tom Tailor Gesellschaft m.b.H., Wörgl, Austria	3,287	3,155
from acquisition of Tom Tailor GmbH by Tom Tailor Holding GmbH	2,291	2,291
	5,578	5,446
	139,872	147,064

There are no impaired intangible assets. As the brand and the goodwill have indefinite useful lives, they have been tested for impairment at each reporting date. The customer bases, which relate to returning customers (total useful life: 17 years), franchise partners, SIS customers and multi-label customers (total useful life of each: 6 years) as well as the licence agreements (total useful life: 14 years) are amortised over their respective useful lives and also tested for impairment at the reporting date.

The impairment test as at 31 December 2009 was based on value in use, calculated using a discounted cash flow methodology with cash flows derived from multi-year corporate budgets.

The valuation reflects a base discount rate of 4.25%, a market risk premium of 5.00%, a beta factor of 1.13, and a growth discount of 1.00%.

Movements in intangible assets were as follows:

		Brand	Goodwill	Customer bases	Licence agreements	Licences and similar rights	Advance payments made	Total
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Cost	1 January 2009	62,221	5,446	67,074	27,141	27,893	0	189,775
Foreign exchange differences		0	0	0	0	1	0	1
Additions		0	132	0	0	7,127	0	7,259
Reclassifications		0	0	0	0	-77	0	-77
Disposals		0	0	0	0	-2,456	0	-2,456
Cost	31 December 2009	62,221	5,578	67,074	27,141	32,488	0	194,502
Depreciation, amortisation and impairments	1 January 2009	0	0	23,475	7.432	11,804	0	42.711
Foreign exchange differences		0	0	0	0	4	0	4
Additions		0	0	6,124	1,939	6,357	0	14,420
Reclassifications		0	0	0	0	-50	0	-50
Disposals		0	0	0	0	-2,455	0	-2,455
Depreciation, amortisation and impairments	31 December 2009	0	0	29,599	9,371	15,660	0	54,630
Net carrying amounts	1 January 2009	62,221	5,446	43,599	19,709	16,089	0	147,064
Net carrying amounts	31 December 2009	62,221	5,578	37,475	17,770	16,828	0	139,872
including leased assets of								118

The Company recognised impairment losses on licences and similar rights of EUR 0.6 million during the year.

During the reporting period, customer bases changed as follows:

		Regular customers EUR '000	Franchise partners EUR '000	SIS customers EUR '000	Multi-label customers EUR '000	Customer bases Total EUR '000
Cost	1 January 2009	46,873	1,705	8,498	9,998	67,074
Additions		0	0	0	0	0
Disposals		0	0	0	0	0
Cost	31 December 2009	46,873	1,705	8,498	9,998	67,074
Depreciation, amortisation and impairments	1 January 2009	10,569	1,088	5,430	6,388	23,475
Additions		2,757	285	1,416	1,666	6,124
Disposals		0	0	0	0	0
Depreciation, amortisation and impairments	31 December 2009	13,326	1,373	6,846	8,054	29,599
Net carrying amounts	1 January 2009	36,304	617	3,068	3,610	43,599
Net carrying amounts	31 December 2009	33,547	332	1,652	1,944	37,475

		Brand EUR '000	Goodwill EUR '000	Customer bases EUR '000	Licence agreements EUR '000	Licences and similar rights EUR '000	Advance payments made EUR '000	Total EUR '000
Cost	1 January 2008	62,221	5,418	67,074	27,141	12,487	1,527	175,868
Foreign exchange differences		0	0	0	0	13	0	13
Additions		0	28	0	0	13,866	0	13,894
Reclassifications		0	0	0	0	1,527	-1,527	0
Cost	31 December 2008	62,221	5,446	67,074	27,141	27,893	0	189,775
Depreciation, amortisation and impairments	1 January 2008	0	0	17,351	5,493	7,124	0	29,968
Foreign exchange differences		0	0	0	0	16	0	16
Additions		0	0	6,124	1,939	4,664	0	12,727
Disposals		0	0	0	0	0	0	0
Depreciation, amortisation and impairments	31 December 2008	0	0	23,475	7,432	11,804	0	42,711
Net carrying amounts	1 January 2008	62,221	5,418	49,723	21,648	5,363	1,527	145,900
Net carrying amounts	31 December 2008	62,221	5,446	43,599	19,709	16,089	0	147,064
including leased assets of								720

In 2008, customer bases changed as follows:

		Regular customers EUR '000	Franchise partners EUR '000	SIS customers EUR '000	Multi-label customers EUR '000	Customer bases Total EUR '000
Cost	1 January 2008	46,873	1,705	8,498	9,998	67,074
Additions		0	0	0	0	0
Disposals		0	0	0	0	0
Cost	31 December 2008	46,873	1,705	8,498	9,.998	67,074
Depreciation, amortisation and impairments	1 January 2008	7,812	803	4,014	4,722	17,351
Additions		2,757	285	1,416	1,666	6,124
Disposals		0	0	0	0	0
Depreciation, amortisation and impairments	31 December 2008	10,569	1,088	5,430	6,388	23,475
Net carrying amounts	1 January 2008	39,061	902	4,484	5,276	49,723
Net carrying amounts	31 December 2008	36,304	617	3,068	3,610	43,599

11. Property, plant and equipment

Property, plant and equipment consists primarily of store interiors and furniture and fixtures.

Movements in property, plant and equipment were as follows:

		Land and buildings including buildings on third-party land	Other equipment, furniture and fixtures	Advance payments made	Total
		EUR '000	EUR '000	EUR '000	EUR '000
Cost	1 January 2009	727	40,073	58	40,858
Foreign exchange differences		0	12	0	12
Additions		0	5,797	1,122	6,919
Reclassifications		0	1,172	-1,095	77
Disposals		0	-760	0	-760
Cost	31 December 2009	727	46,294	85	47,106
Depreciation, amortisation and impairments	1 January 2009	213	21,001	0	21,214
Foreign exchange differences		0	13	0	13
Impairment reversals		0	0	0	0
Additions		34	6,614	1	6,649
Reclassifications		0	50	0	50
Disposals		0	-758	0	-758
Depreciation, amortisation and impairments	31 December 2009	247	26,920	1	27,168
Net carrying amounts	1 January 2009	514	19,072	58	19,644
Net carrying amounts	31 December 2009	480	19,374	84	19,938
including leased assets of					7,578

		Land and buildings including buildings on third-party land	Other equipment, furniture and fixtures	Advance payments made	Total
		EUR '000	EUR '000	EUR '000	EUR '000
Cost	1 January 2008	665	24,695	13	25,373
Foreign exchange differences		0	178	0	178
Additions		80	15,367	58	15,505
Reclassifications		0	13	-13	0
Disposals		-18	-180	0	-198
Cost	31 December 2008	727	40,073	58	40,858
Depreciation, amortisation and impairments	1 January 2008	189	15,588	0	15,777
Foreign exchange differences		0	162	0	162
Additions		40	5,425	0	5,465
Disposals		-16	-174	0	-190
Depreciation, amortisation and impairments	31 December 2008	213	21,001	0	21,214
Net carrying amounts	1 January 2008	476	9,107	13	9,596
Net carrying amounts	31 December 2008	514	19,072	58	19,644
including leased assets of					8,046

Property, plant and equipment also includes operating and office equipment leased under leases with remaining terms ending between 2010 and 2013.

No impairments or impairment reversals were recognised on property, plant and equipment during either the current or the prior year.

Please refer to 24. (c) “Disclosures on assets pledged as security for liabilities” for details on chattel mortgages on property, plant and equipment.

Details of total minimum lease payments under lease agreements classified as finance leases (including leases of non-current intangible assets) are as follows:

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Minimum lease payments		
up to 1 year	3,825	4,235
1 to 5 years	5,944	7,301
more than 5 years	65	120
	9,834	11,656
Interest component		
up to 1 year	650	727
1 to 5 years	671	844
more than 5 years	1	7
	1,322	1,578
Present value of minimum lease payments		
up to 1 year	3,175	3,508
1 to 5 years	5,273	6,457
more than 5 years	64	113
	8,512	10,078

All lease agreements are non-cancellable.

Operating leases

In addition to finance leases, the Company also enters into lease agreements classified as operating leases under IAS 17. The assets leased under these agreements are therefore attributed to the lessor. The leased assets are mainly office and warehouse buildings as well as parts of the vehicle fleet and certain other technical equipment.

The legal department and the management board have analysed the remaining agreements and did not identify any contractual arrangements required to be classified as embedded leases in accordance with IFRIC 4.

Investments

TT OFF SALE (NI) LTD. was founded in 2008. As one of the founding shareholders, Tom Tailor GmbH holds a 49.0% interest in TT OFF-SALE (NI) LTD. This investment is reflected in the consolidated financial statements using the equity method.

The subscribed capital contribution was paid in cash and amounted to GBP 100 (equivalent to EUR 104). During the current year, the company has generated revenue of GBP 1,013,000 (equivalent to EUR 1,139,000) and incurred a net loss of GBP 724,000 (equivalent to EUR 804,000). As the Group's share of the loss of EUR 394,000 exceeds the carrying amount of the investment, the loss was recognised only up to the carrying amount of the investment (EUR nil). Therefore, the Group's share of the cumulative losses of EUR 523,000 was not recognised in the consolidated financial statements.

The unaudited financial statements of TT OFF SALE (NI) LTD. as at 31 December 2009 show non-current assets of GBP 589,000 (equivalent to EUR 663,000), current assets of GBP 1,553,000 (equivalent to EUR 1,747,000), current liabilities of GBP 3,116,000 (equivalent to EUR 3,505,000), non-current debt of GBP 2,000 (equivalent to EUR 3,000) and shareholders' equity of GBP -977,000 (equivalent to EUR -1,099,000)

During the year, Tom Tailor GmbH has supplied merchandise with a value of EUR 498,000 to TT OFF SALE (NI) LTD. The gross profit realised on this merchandise was eliminated in the consolidated financial statements of TOM TAILOR Holding AG to the extent TT OFF SALE (NI) LTD. had not yet sold the goods to third parties by the reporting date. As the carrying amount of the investment was not sufficient to absorb this intercompany profit elimination, the profit was eliminated against trade receivables with a corresponding reduction in revenue. The Company has recognised deferred tax assets on the elimination entry.

TT OFF SALE (Ireland) LTD., Dublin, Ireland, was founded in 2009. Tom Tailor GmbH holds a 49% indirect interest in the company via its investment in TT Off-SALE (NI) LTD.

The company's unaudited financial statements for the current year show revenue of EUR 156,000 and a net loss for the year of EUR 84,000.

TT OFF SALE (Ireland) LTD has non-current assets of EUR 101,000, current assets of EUR 195,000 and current liabilities EUR 380,000. The net loss for the year led to negative equity of EUR 84,000.

A fair value of this investment does not exist.

12. Income tax assets

Income tax assets consist of the following:

	31 December 2009		
	Due in		
	up to 1 year	more than 1 year	Total
	EUR '000	EUR '000	EUR '000
Current income taxes	436	0	436
Deferred income taxes	0	254	254
	436	254	690

	31 December 2008		
	Due in		
	up to 1 year	more than 1 year	Total
	EUR '000	EUR '000	EUR '000
Current income taxes	2,112	0	2,112
Deferred income taxes	0	613	613
	2,112	613	2,725

The following types of temporary differences have given rise to deferred tax assets:

	31 December 2009	
	Gross difference	Deferred tax assets
	EUR '000	EUR '000
Measurement of interest-related hedging instruments	4,797	1,439
Leases	3,288	986
Tax loss carryforwards	1,531	245
Measurement of forward exchange contracts	1,254	376
Other	814	243
	11,684	3,289
Set off against deferred tax liabilities	-10,122	-3,035
	1,562	254

At 31 December 2008, deferred tax assets arose from the following differences in recognition and measurement:

	31 December 2008	
	Gross difference	Deferred tax assets
	EUR '000	EUR '000
Measurement of interest-related hedging instruments	4,876	1,463
Lease s	3,300	990
Measurement of forward exchange contracts	2,689	807
Tax loss carryforwards	1,468	235
Other	1,354	406
	13,687	3,901
Set off against deferred tax liabilities	-10,958	-3,288
	2,729	613

13. Other assets / Prepaid assets

Other assets consist of:

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Security deposits	1,905	288
Creditors with debit balances	1,330	507
Receivables from management board members	391	261
Fair value of interest cap	106	252
Value added taxes receivable	445	14
Miscellaneous other assets	917	1,359
	5,094	2,681
non-current portion	2,011	540
current portion	3,083	2,141

In 2009, prepaid assets, which amount to EUR 5,648,000 (prior year: EUR 958,000) in total, consist primarily of commissions paid to an Asian purchasing agency. They are accounted for at present value and amortised over the term of the agreement using the effective interest method. In the prior year, prepaid assets were classified as other assets. In 2009, they have been presented separately due to their significance. The comparative prior year amount has been similarly reclassified.

14. Inventories

Inventories consist of the following:

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Raw materials and supplies	97	245
Merch andise	31,315	30,571
	31,412	30,816

Allowances for write-downs to the lower net realisable value have decreased by EUR 300,000 from the prior year (prior year: increase of EUR 641,000). The change was recognised in earnings. Expected future selling costs are reflected in this amount. Sales of inventories have resulted in the reversal of previously recognised write-downs. These reversals were immaterial in amount and were recognised in profit and loss.

At the reporting date, inventories with a net carrying amount of EUR 31,315,000 (prior year: EUR 30,571,000) were valued at net realisable value.

Please refer to 24. (c) “Disclosures on assets pledged as security for liabilities” for details regarding chattel mortgages on inventories.

15. Trade receivables

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Trade receivables	30,344	34,378
Receivables from an associated company	3,019	3,045
	33,363	37,423

As in the prior year, trade receivables are due in less than one year. Please refer to 24. (c) “Disclosures on assets pledged as security for liabilities” for details on the global assignment of receivables.

The following table shows the movements in the allowance for impairment of current receivables included in financial assets measured at (amortised) cost:

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Balance at beginning of year	2,777	1,081
Additions recognised in earnings	3,414	1,707
Utilisation	-427	-11
Reversal	-89	0
Balance at end of year	5,675	2,777

The receivables shown above include amounts past due at the reporting date, for which the Group has, however, not recognised any impairments. This is based on the lack of

significant changes in credit quality and the continued assessment of the outstanding balances as collectible. Collateral, instalment payment agreements, documentation of the economic situation and the ability to settle net with the counterparty form the basis for this assessment.

At 31 December, the aging of trade receivables was as follows:

	Total	Not past due and not impaired	Impaired	Past due but not impaired		
				< 30 days	30-90 days	> 90 days
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
2009	39,038	20,296	11,559	2,691	2,610	1,882
2008	40,200	19,978	8,320	5,797	4,639	1,466

The assessment of trade receivables for impairment takes into account all changes in credit quality from the time credit is granted up to the reporting date. Due to the well diversified customer base, there was no significant concentration of credit risk at the reporting date.

Bad debt expense amounts to EUR 4,768,000 (prior year: EUR 4,127,000). The increase in bad debt expense was caused primarily by the bankruptcy of two major customers and a former licence partner.

16. Cash and cash equivalents

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Cash at banks and other liquid funds	13,809	11,157
Cash on hand	282	291
	14,091	11,448

Please refer to 24. (c) “Disclosures on assets pledged as security for liabilities” for details on pledged bank balances.

17. Subscribed capital

Subscribed capital amounts to EUR 5 million and is divided into 5,000,000 registered shares without par value and with transfer restrictions.

Movements in shareholders' equity are set out in the statement of changes in equity (Appendix IV).

18. Capital reserve

As at the reporting date, the capital reserve amounts to EUR 52,380,000 (prior year: EUR 52,380,000) and consists of shareholder contributions and share premium.

19. Accumulated deficit

The accumulated deficit has changed as follows:

	2009 EUR '000	2008 EUR '000
1 January	-119,722	-94,393
Consolidated net earnings	-5,646	-25,329
31 December	-125,368	-119,722

A leveraged buyout transaction completed in 2006 has led to a capital dividend and a corresponding increase in accumulated deficit of EUR 93,806,000.

20. Accumulated other comprehensive income

Accumulated other comprehensive income comprises currency translation differences incurred on the translation of the consolidated Swiss subsidiaries.

21. Pension provisions

Pension provisions are recognised for obligations under pension entitlements granted to former senior personnel and former members of the management board as well as their surviving dependants.

Pension provisions reflect only defined benefit plans. The Company does not finance its pension plans via pension funds. The Company has obtained reimbursement insurance for the pension commitments granted.

The amount of the pension obligation (defined benefit obligation) is based on an actuarial calculation which necessarily includes estimates. The calculation is based on the following premises:

	2009 %	2008 %
Discount rate	5.90	5.70
Future salary increases	0.00	0.00
Future pension increases	0.00	0.00

As the Company has only granted pensions with fixed amounts, future salary and pension increases do not affect the amount of future pension benefits and were therefore set to 0.00%.

The calculation of the pension obligations reflects the biometric calculation bases according to Prof. Dr. Heubeck's guideline tables ("Richttafeln") 2005G.

Increases or decreases of either the present value of the defined benefit obligation or the fair value of the reimbursement insurance can lead to actuarial gains and losses resulting from, among other things, changes in calculation parameters, changes in estimates regarding the outcome of risks related to the pension obligations and differences between the expected and actual return on the insurance policy.

Based on the calculation requirements set out in IAS 19, the funded status of the pension commitments is as follows:

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Defined benefit obligation, entirely unfunded	1,376	1,320
less reimbursement insurance	-1,200	-1,146
Net obligation	176	174
Recognised pension provisions	176	174

The defined benefit obligation has changed as follows:

	2009 EUR '000	2008 EUR '000
Defined benefit obligation at 1 January	1,320	1,312
Service cost	18	19
Interest cost	75	69
Actuarial gains and losses	-37	-80
Pension benefits paid	0	0
Defined benefit obligation at 31 December	1,376	1,320

The reimbursement right assets arising from the reimbursement insurance, which have been netted against the defined benefit obligation, have moved as follows:

	2009 EUR '000	2008 EUR '000
Reimbursement insurance assets at 1 January	1,146	1,109
Contributions to reimbursement insurance assets	62	60
Return on reimbursement insurance assets	18	17
Pension benefits paid	0	0
Other changes	-26	-40
Reimbursement insurance assets at 31 December	1,200	1,146

On the reporting date, the fair value of the reimbursement insurance, which was provided by the insurer, amounted to EUR 1,627,000 (prior year: EUR 1,547,000). As a result of the limit on the amount of reimbursement insurance assets recognised, which is the amount of the related defined benefit obligation, reimbursement insurance assets of EUR 427,000 were not recognised at the reporting date (prior year: EUR 401,000).

Interest expense arising from amortisation of the discount on the pension obligation is recognised in interest result. All other components of pension cost are recognised as personnel expenses.

22. Other provisions

Other provisions have moved as follows:

	1 Jan. 2009	Use	Reversal	Addition	31 Dec. 2009
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Accrued expenses	5,267	5,267	0	3,687	3,687
Personnel-related provisions	3,164	2,903	0	2,844	3,105
Customer bonuses	1,849	1,849	0	2,846	2,846
Returns	2,550	213	0	310	2,647
Other	1,685	1,127	0	657	1,215
	14,515	11,359	0	10,344	13,500
non-current portion (pre-retirement part time)	223				135
current portion	14,292				13,365

Personnel-related provisions related primarily to provisions for management and other bonuses, redundancy payments and vacation pay.

The Company assumes that provisions (except pre-retirement part time work) will be settled within twelve months.

In the prior year, provisions moved as follows:

	1 Jan. 2008 EUR '000	Use EUR '000	Reversal EUR '000	Addition EUR '000	31 Dec. 2008 EUR '000
Personnel-related provisions	3,241	2,855	52	2,830	3,164
Severance payments commercial agents	6,300	6,300	0	0	0
Returns	1,835	410	0	1,125	2,550
Customer bonuses	1,649	1,583	0	1,783	1,849
Accrued expenses	0	0	0	5,267	5,267
Other	2,311	1,827	59	1,260	1,685
	12,095	10,120	59	9,435	11,351
	15,336	12,975	111	12,265	14,515
non-current portion (pre-retirement part time)	325				223
current portion	15,011				14,292

23. Income tax liabilities

Income tax liabilities consist of the following:

	31 December 2009		
	Due in		
	up to 1 year	more than 1 year	Total
	EUR '000	EUR '000	EUR '000
Deferred income taxes	0	34,285	34,285
Current income taxes	5,712	0	5,712
	5,712	34,285	39,997

	31 December 2008		
	Due in		
	up to 1 year	more than 1 year	Total
	EUR '000	EUR '000	EUR '000
Deferred income taxes	0	36,562	36,562
Current income taxes	784	0	784
	784	36,562	37,346

The following types of temporary differences have given rise to deferred tax liabilities:

	31 December 2009	
	Gross difference EUR '000	Deferred tax liabilities EUR '000
Non-current intangible assets	117,466	35,239
Other consolidation entries	6,133	1,840
Valuation of receivables	522	156
Treatment of structuring costs	263	79
Pension provisions	21	6
	124,405	37,320
Set off against deferred tax assets	-10,122	-3,035
	114,283	34,285

At 31 December 2008, deferred tax liabilities arose from the following differences in recognition and measurement:

	31 December 2008	
	Gross difference EUR '000	Deferred tax liabilities EUR '000
Non-current intangible assets	125,529	37,659
Other consolidation entries	6,468	1,940
Valuation of receivables	575	172
Treatment of structuring costs	260	79
	132,832	39,850
Set off against deferred tax assets	-10,958	-3,288
	121,874	36,562

No current or deferred tax assets or liabilities were recognised in other comprehensive income either during the current or the prior year.

24. Financing liabilities

(a) Analysis

Current and non-current financing liabilities can be analysed as follows:

	31 December 2009			
	up to 1 year EUR '000	1 to 5 years EUR '000	more than 5 years EUR '000	Total EUR '000
Bank debt	7,099	59,333	61,686	128,118
Lease liabilities	3,175	5,273	64	8,512
Amounts payable to shareholders	0	29,790	27,822	57,612
Amounts payable to third parties	0	3,765	0	3,765
	10,274	98,161	89,572	198,007

In the prior year, current and non-current financing liabilities consisted of the following:

	31 December 2008			
	up to 1 year EUR '000	1 to 5 years EUR '000	more than 5 years EUR '000	Total EUR '000
Bank debt	26,483	26,500	88,890	141,873
Lease liabilities	3,506	6,459	113	10.078
Amounts payable to shareholders	0	0	46,408	46,408
Amounts payable to third parties	0	3,460	0	3,460
	29,989	36,419	135,411	201,819

(b) Discussion

Bank debt

Structuring costs of EUR 3,379,000 (prior year: EUR 4,045,000) have been set off against bank debt.

Bank debt of EUR 61,686,000 (prior year: EUR 88,890,000) is due in 2016. The effective interest rate is variable and is linked to the 3-months-EURIBOR plus a margin of between 2.50% p.a. and 4.00% p.a. (prior year: between 1.5% p.a. and 4.00% p.a.). The margin depends on the ratio of net debt to EBITDA adjusted for non-recurring items.

The loans were granted on the condition that the Company continue to comply with certain financial covenants, which are calculated based on the consolidated financial statements prepared in accordance with German commercial law ("HGB").

In addition, the Austrian subsidiary has utilised a line of credit of EUR 1,300,000 (prior year: EUR 1,300,000) and domestic current account overdrafts total EUR 8,899,000 (prior year: EUR 20,182,000).

Amounts payable to shareholders

The existing loans (EUR 46.4 million) bear interest at 6% p.a., the new shareholder loans obtained in 2009 bear interest at 5% p.a. (effective 1 July 2009).

For the new shareholder loans of EUR 9.0 million, obtained in 2009, an interest rate of 12% has been agreed effective 1 January 2010.

Interest for the year 2009 amounts to EUR 2,695,000, and is partially offset by EUR 492,000 in adjustments related to prior period interest.

The shareholder loans obtained in 2005 (EUR 29.7 million) are due 31 December 2013, the shareholder loans dating from 2006 (EUR 18.7 million) and 2009 (EUR 9.2 million) are due 31 December 2016.

In December 2009, the shareholders have subordinated their loans, with the exception of the loans granted to the Company in 2009 and the related interest, such that they now rank below all current and future receivables of all other creditors of TOM TAILOR Holding AG (previously only banks).

(c) Disclosures on assets pledged as security for liabilities

Bank debt is secured by pledges of all bank balances of TOM TAILOR Holding AG, Tom Tailor GmbH, and Tom Tailor Retail GmbH, totalling EUR 10.6 million (prior year: EUR 8.1 million), the assignment of the shares in the subsidiaries Tom Tailor GmbH and Tom Tailor Retail GmbH, the global assignment of all receivables of TOM TAILOR Holding AG, Tom Tailor GmbH, and Tom Tailor Retail GmbH, totalling EUR 25.6 million (prior year: EUR 30.8 million), the chattel mortgage on inventories totalling EUR 27.9 million (prior year: EUR 28.3 million) and on non-current assets totalling EUR 8.3 million (prior year: EUR 8.7 million) of Tom Tailor GmbH and Tom Tailor Retail GmbH and the transfer as security of brands and brand rights of Tom Tailor GmbH. The right to realise the security is triggered by the occurrence of any of the events of default set out in the loan agreements.

(d) Amounts payable to third parties

Amounts payable to third parties consist of the present value of a purchase price liability arising from a combined put and call agreement on the minority interest. The liability has been discounted using an interest rate of 5%. The option is exercisable until 31 December 2012.

25. Trade payables

As in the prior year, all trade payables are due within one year.

The usual retentions of title exist.

26. Other liabilities

Other liabilities consist of the following:

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Fair value of interest-related hedging instruments	4,797	4,675
Other taxes	2,799	2,125
Fair value of forward exchange contracts	1,254	2,689
Debtors with credit balances	576	463
Payroll accruals	315	481
Miscellaneous other liabilities	896	421
	10,637	10,854
non-current portion	4,797	4,675
current portion	5,840	6,179

27. Unearned income

	31 Dec. 2009 EUR '000	31 Dec. 2008 EUR '000
Unearned income	5,052	5,900
current portion	1,091	848
non-current portion	3,961	5,052

In connection with the outsourcing of the logistics department to DHL completed during the prior year, the Company has received an upfront payment of EUR 5.9 million which is amortised to income over the term of the agreement using the effective interest method.

E. MANAGEMENT OF FINANCIAL RISKS AND DERIVATIVES

Capital management

Capital management at the Tom Tailor Group serves the purpose of securing the entity's ability to continue as a going concern, ensuring an adequate return on equity and optimising the capital structure.

The Group manages its capital structure taking into account its commercial and legal environment by obtaining and repaying liabilities, by equity transactions made by equity providers and by using financial instruments to modify assets.

The banks have granted the loans on the condition that the Company comply with certain financial covenants, which are calculated based on the consolidated financial statements prepared in accordance with German commercial law ("HGB").

The capital structure is monitored primarily using ratios related to cash flow (adjusted EBITDA/interest expense coverage, net debt/adjusted EBITDA and cash flow/financing costs).

Thus, the ability of the Group to make interest and principal payments serves as a significant capital management instrument.

Shareholders' equity amounts to EUR -68,181,000 (prior year: EUR -62,542,000) and has been affected particularly by a business combination completed in 2006 that led to a capital dividend of EUR 93,806,000.

The strategy of the Tom Tailor Group is to reduce its level of debt and to expand its equity base using both cash flows generated by operations and planned capital transactions.

Use and management of financial instruments

Financial liabilities consist of bank loans and overdrafts, finance leases, trade payables and shareholder loans. The principal purpose of these financial liabilities is to finance the Group's operations and the leveraged buyout completed in 2006. The Group has various financial assets such as trade receivables and cash that arise directly from its business activity.

In addition, the Group makes use of derivative financial instruments. These include mainly derivatives used to hedge interest risk (interest cap and interest swap

agreements) and forward exchange contracts. The purpose of these derivative financial instruments is to hedge interest and foreign exchange risks that arise from the Group's operations and its financing resources. The use of derivative financial instruments is subject to internal policies and control mechanisms.

The Group’s material risks arising from financial instruments are interest-related cash-flow risks as well as liquidity, foreign exchange and credit risks. The management decides on strategies and procedures to manage individual types of risk as set out below.

Fair values of financial instruments

The following table shows the carrying values and fair values of the financial instruments recognised in the consolidated financial statements:

	Carrying value		Fair value	
	2009 EUR '000	2008 EUR '000	2009 EUR '000	2008 EUR '000
Financial assets				
Trade and other receivables	44,000	40,810	44,000	40,810
Cash and cash equivalents	14,091	11,448	14,091	11,448
Derivatives used to hedge interest risk	106	252	106	252
Financial liabilities				
Bank debt				
Acquisition loan	104,817	107,894	104,817	107,894
Other bank debt	23,301	33,979	23,301	33,979
Obligations under finance leases	8,512	10,078	8,512	10,078
Amounts payable to shareholders	57,612	46,408	57,612	46,408
Amounts payable to third parties	3,765	3,460	3,765	3,460
Derivatives used to hedge interest and foreign exchange risk	6,051	7,364	6,051	7,364
Trade payables and other liabilities	60,558	54,083	60,558	54,083

The fair values are based on the notional amounts of the derivative financial instruments and do not take into account any offsetting movements in the value of related hedged items. They do not necessarily represent the amounts that the Group will obtain in future if current market conditions continue.

The hedges existing at the reporting date do not meet the requirements of IAS 39 for hedge accounting. All fair value changes were, therefore, immediately recognised in profit or loss in full.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade payables, other current financial liabilities and revolving credit facilities represent their fair value. The reason is primarily the short term to maturity of such instruments.

The Group values non-current fixed and variable interest receivables / loans based on parameters such as interest rates, certain country-specific risk factors, credit quality of the individual customers and the risk characteristics of the financed project. Based on this valuation, the Company recognises allowances for impairment to account for losses expected on these receivables. On 31 December 2009, the carrying values of these receivables less the related allowances for impairment did not differ significantly from their estimated fair values.

Tom Tailor determines the fair value of bank debt and other financing liabilities, finance lease liabilities and other non-current financial liabilities by discounting the expected future cash flows using interest rates applicable to similar financing liabilities with a comparable remaining term to maturity.

The Group enters into derivative financial instruments exclusively with banks that have a good credit rating. The interest-related hedging instruments (interest swap/cap) and the forward exchange contracts are valued using valuation models with inputs observable in the market. The most frequently used valuation models include the forward price- and the swap model using present value calculations. The models use various inputs such as e.g. counterparty credit quality, foreign exchange spot and forward rates as well as yield curves.

The Group uses the following hierarchy to determine and present fair values of financial instruments by valuation model:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Models for which all inputs that are significant to the resulting fair value are observable, either directly or indirectly
- Level 3: Models using inputs that are significant to the resulting fair value and are not based on observable market data

	2009 EUR '000	Level 1	Level 2	Level 3
Financial assets valued at fair value through profit or loss				
Derivatives used to hedge interest risk (interest cap)	106		106	
	106		**106**	
Financial liabilities valued at fair value through profit or loss				
Derivatives used to hedge interest risk (interest swap)	4,797		4,797	
Derivatives used to hedge foreign exchange risk (forward exchange contracts)	1,254		1,254	
	6,051		**6,051**	

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The risks the Group's activities expose it to consist primarily of financial risks from changing exchange rates (see "Foreign exchange risk" below) and interest rates (see "Interest risk" below). In addition, the Group's operations are impacted by credit risk (see "Credit risk" below) and liquidity risk (see "Liquidity risk" below).

The Company enters into derivative financial instruments in order to manage the existing interest and foreign exchange risks. These include:

- Forward exchange contracts to hedge the foreign exchange risk arising from importing casual wear collections mainly produced in Asian countries
- Interest swap/-cap to mitigate the risk of rising interest rates

Financial instruments exposed to market risk include interest bearing loans, financial assets available for sale and derivative financial instruments.

The sensitivity analyses in the following sections relate to the status as at 31 December 2009 and 2008, respectively.

The sensitivity analyses are based on the hedging relationships in place on 31 December 2009 and are based on the premise of a constant net debt level, ratio of fixed to variable interest on liabilities and derivatives and proportion of financial instruments denominated in foreign currency.

The sensitivity analyses were prepared using the following assumptions:

- The sensitivity of the statement of financial position arises from derivatives and credit instruments available for sale.
- The sensitivity of the affected line item in the statement of comprehensive income reflects the impact of the assumed fluctuations of the related market risks. It is based on the financial assets and financial liabilities held as at 31 December 2009 and 2008, including the impact of hedging relationships.

In the area of market risk, the Group is exposed to credit risk, liquidity risk, foreign exchange risk and interest risk.

Credit risk

The Company is exposed to credit risk arising from its operating activities and from certain financing activities.

In order to minimise the credit risk from operations, receivables are continually monitored centrally. The Group enters into transactions exclusively with third parties with good credit standing. All customers that wish to enter into transactions with the Group on a credit basis are subject to a credit assessment. Moreover, the risk is mitigated by obtaining commercial credit insurance and collateral. Detectable credit risks are accounted for by recognising specific allowances for impairment.

In the financing area, the risk of default of the counterparty is limited by choosing banks with good and very good credit ratings.

The carrying values of trade receivables recognised in the statement of financial position and cash and cash equivalents represent the maximum credit risk.

Liquidity risk

In order to ensure solvency at all times and the financial flexibility of the Group, the Company prepares a rolling liquidity forecast modelling the liquidity inflows and outflows in the short and medium term. Where necessary, a liquidity reserve is maintained in the form of lines of credit and cash.

A maturity analysis of the financial liabilities by contractual maturity as well as the anticipated interest payments is shown in the following tables.

	Non-derivative financial liabilities				Derivative liabilities	
	Bank debt	Finance leases	Amounts payable to sharehold ers	Other liabilities	Interest hedges	Foreign exchange hedges
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Carrying value 31 Dec. 2009	128,118	8,512	57,612	64,323	4,691	1,254
Cash flow 2010						
Interest	5,573	650	0	0	2,771	0
Principal	7,099	3,175	0	56,597	0	1,254
Cash flow 2011 - 2014						
Interest	29,857	671	3,795	594	2,507	0
Principal	59,333	5,273	9,230	7,726	0	0
Cash flow 2015 ff.						
Interest	25,478	2	16,301	0	0	0
Principal	61,686	63	48,382	0	0	0

	Non-derivative financial liabilities				Derivative liabilities	
	Bank debt EUR '000	Finance leases EUR '000	Amounts payable to sharehold ers EUR '000	Other liabilities EUR '000	Interest hedges EUR '000	Foreign exchange hedges EUR '000
Carrying value 31 Dec. 2008	141,873	10,078	46,408	57,543	4,423	2,689
Cash flow 2009						
Interest	9,759	727	0	0	126	0
Principal	26,483	3,506	0	49,031	0	2,689
Cash flow 2010 - 2013						
Interest	35,542	844	0	747	4,297	0
Principal	26,500	6,459	0	8,512	0	0
Cash flow 2014 ff.						
Interest	17,022	7	19,732	0	0	0
Principal	88,890	113	46,408	0	0	0

For reasons of simplification, a flat yield curve has been assumed in estimating the cash flows from interest payments.

Foreign exchange risk

The foreign exchange risk faced by the Group arises primarily from its operating activities. The Group purchases a portion of its merchandise in U.S. dollar. In order to hedge the risk from changes in exchange rates, the Company has entered into standard forward exchange contracts during the year.

The cash inflows from these forward exchange contracts are not designated as hedges of specific forecast cash outflows from merchandise procurement. Consequently, the requirements of IAS 39 for hedge accounting are not met. Therefore, at the reporting date, the forward exchange contracts were measured at fair value. The fair values as at the reporting date were determined by the banks based on exchange rates of hedging instruments with equivalent maturities. Measuring the forward exchange contracts on hand at the reporting date at fair value resulted in a gain of EUR 1,435,000 which is shown in other operating income.

In the prior year, the Company used forward exchange contracts to hedge the risk of fluctuating exchange rates, as the U.S. dollar was expected to weaken against the euro.

Measurement at fair value resulted in an expense of EUR 2,689,000 which is shown in other operating expenses.

In addition, the Swiss group companies are exposed to foreign exchange risk arising from their business relationships with the Tom Tailor Group, which are conducted in euros.

In accordance with IFRS 7 the Group prepares sensitivity analyses of its various foreign exchange risks. These analyses are used to determine the impact of hypothetical changes in relevant risk variables on earnings and equity. The impact for the period is determined by applying the hypothetical changes in the risk variables to the financial instruments on hand as at the reporting date. The assumption here is that the balance on hand at the reporting date is representative for the year as a whole. The foreign exchange sensitivity analyses are based on the following assumptions:

- The majority of the non-derivative financial instruments (securities, receivables, cash and cash equivalents, debt) are denominated in the functional currency, the euro. Where these financial instruments are not denominated in euro, they are included in the sensitivity analyses.
- Changes in fair values of foreign exchange derivatives due to changes in exchange rates have an impact on net foreign exchange gains and are therefore also included in the sensitivity analysis of earnings.

If the value of the euro against the U.S. dollar as at the reporting date had been 10% higher (lower), net foreign exchange gains would have been EUR 1,579,000 lower or EUR 1,930,000 higher (prior year: EUR 2,823,000 higher or EUR 4,619,000 lower).

If the value of the euro against the Swiss franc as at the reporting date had been 10% higher (lower), the related reserve in equity would have been EUR 463,000 higher or EUR 566,000 lower (prior year: EUR 478,000 lower or EUR 478,000 higher).

Interest rate risk

The Group is exposed to interest rate risk primarily in the euro area. Tom Tailor uses derivative financial instruments to hedge interest rates on variable interest loans.

The Company uses an interest cap agreement with a term from 30 June 2006 to 31 December 2012 to mitigate interest risk. The underlying notional amount corresponds with the original bank loan underlying the interest cap. The original bank loans have been completely repaid. The interest cap is now being similarly used to hedge the new loans. The interest cap limits the interest rate on the bank loans, which is linked to the 3-months-EURIBOR, to 3.75%.

In addition, the Company has an interest swap maturing 31 December 2011. The notional amount of the interest swap also corresponds to the underlying bank loan. The Company receives a variable interest rate based on the 3-month EURIBOR and pays a fixed rate of 5.065%.

The following table shows a summary of the notional amounts, carrying amounts and fair values of the interest-related hedging instruments used:

	2009 EUR '000	2008 EUR '000
Notional amount	111,500	116,500
Carrying amount	-4,691	-4,423
Fair value	-4,691	-4,423

The interest result for the current year includes interest expense of EUR 115,000 (prior year: EUR 3,875,000) arising on the interest-related hedging instruments measured at fair value through profit or loss.

Interest risk is presented using sensitivity analyses in accordance with IFRS 7. These show the impact of changes in market interest rates on interest payments, interest income and expenses, other earnings components and, where applicable, on equity. The interest sensitivity analyses are based on the following assumptions:

- Changes in market interest rates of non-derivative fixed-interest financial instruments only affect earnings if these are measured at fair value. Hence, fixed interest financial instruments measured at amortised cost are not subject to interest risk as contemplated by IFRS 7.
- Changes in market interest rates affect the interest result of non-derivative variable interest financial instruments and are consequently included in the earnings-related sensitivity computations.
- Changes in the market interest rate of interest derivatives affect the interest result (measurement result from remeasuring financial assets to fair value and interest result from interest cash flows for the year) and are consequently reflected in the earnings-related sensitivity computations.

If the market interest level as at the reporting date had been 100 basis points higher (lower), the interest result would have been EUR 945,000 higher or EUR 860,000 lower (prior year: EUR 2,361,000 higher or EUR 2,144,000 lower).

Other price risk

The Group was not exposed to any other material price risks in either the current or the prior year.

F. NOTES TO THE STATEMENT OF CASH FLOWS

The statement of cash flows shows how the Group's cash and cash equivalents have changed as a result of cash in- and outflows during the year. In accordance with IAS 7 "Cash Flow Statements", the Company distinguishes between cash flows from operating, investing and financing activities.

Cash and cash equivalents in the statement of cash flows include all liquid funds shown in the statement of financial position, i.e. cash on hand, cheques, and bank balances, to the extent they are available within three months without significant changes in value.

Additions to leased non-current intangible assets and property, plant and equipment classified as finance leases have been set off against the related non-cash change in financing liabilities, which include the liabilities from finance lease agreements, as these types of additions are non-cash transactions.

The impact of changes in cash and cash equivalents arising from fluctuations in foreign exchange rates relates exclusively to the Swiss subsidiaries and is shown separately as "Effect of exchange rate changes on cash and cash equivalents".

Net cash from operating activities includes the following cash in- and outflows:

	2009 EUR '000	2008 EUR '000
Interest received	20	639
Interest paid	12,705	13,555
Income taxes paid	513	909

In connection with its financing activities, the Company had unutilised lines of credit of EUR 26.1 million as at 31 December 2009.

G. SEGMENT REPORTING

CONSOLIDATED SEGMENT REPORTING FOR THE FINANCIAL YEAR 2009

Operating segments (2009)

	Wholesale EUR '000	Retail EUR '000	Eliminations EUR '000	Consolidated EUR '000
External revenue	223,687	76,527		300,214
Intersegment revenue	27,520		-27,520	0
Total revenue	251,207	76,527	-27.520	300,214
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)	27,992	9,185	-226	36,951
Significant non-cash expenses	7,968	731		8,699

Information about geographical areas (2009)

	Domestic EUR '000	Foreign EUR '000	Consolidated EUR '000
Revenue	207,048	93,166	300,214
Non-current assets*	150,308	9,502	159,810

* non-current assets include only intangible assets and property, plant and equipment

CONSOLIDATED SEGMENT REPORTING FOR THE FINANCIAL YEAR 2008

Operating segments (2008)

	Wholesale EUR '000	Retail EUR '000	Elimina-tions EUR '000	Consoli-dated EUR '000
External revenue	237,543	45,931		283,474
Intersegment revenue	19,237		-19,237	0
Total revenue	256,780	45,931	-19,237	283,474
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)	7,921	2,448	565	10,934
Significant non-cash expenses	14,824	859		15,683

Information about geographical areas (2008)

	Domestic EUR '000	Foreign EUR '000	Consoli-dated EUR '000
Revenue	182,143	101,331	283,474
Non-current assets*	158,408	8,300	166,708

* non-current assets include only intangible assets and property, plant and equipment

CONSOLIDATED SEGMENT REPORTING FOR THE FINANCIAL YEAR 2007

Operating segments (2007)

	Wholesale EUR '000	Retail EUR '000	Elimin- ations EUR '000	Consoli- dated EUR '000
External revenue	234,452	26,848		261,299
Intersegment revenue	14,190		-14,190	0
Total revenue	248,642	26,848	-14,190	261,299
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)	26,676	367	-79	26,964
Significant non-cash expenses	14,613	642		15,255

Information about geographical areas (2007)

	Domestic EUR '000	Foreign EUR '000	Consoli- dated EUR '000
Revenue	169,833	91,466	261,299
Non-current assets*	149,745	5,751	155,496

* non-current assets include only intangible assets and property, plant and equipment

In preparing its segment reporting, the TOM TAILOR Group has applied IFRS 8 "Operating Segments" for the first time. Under the management approach required by IFRS 8, the segments are chosen based on the business activities of the TOM TAILOR Group. This segmentation reflects the internal management and reporting and takes into account the different risk and profitability structures of the operating segments.

The application of IFRS 8 did not result in any changes to segment reporting in 2009 with respect to the definition of the segments as Wholesale and Retail.

The TOM TAILOR Group covers the complete value chain from design via product management to purchasing of merchandise and distribution. The Group distributes the product lines TOM TAILOR MEN CASUAL, TOM TAILOR WOMEN CASUAL, TOM TAILOR KIDS, TOM TAILOR DENIM MALE, and TOM TAILOR DENIM FEMALE.

Based on the structure of the TOM TAILOR Group's distribution channels, the Group's activities have been segmented into Wholesale and Retail.

The Wholesale segment distributes TOM TAILOR products through resellers using franchise stores, shop-in-shops and multi label stores (*B2B*). The TOM TAILOR brand is traditionally managed and developed in this segment.

The Retail segment sells the collections of the various product lines directly to end customers (*B2C*) using company-owned stores including centre stores, city stores, flagship stores and outlets, as well as through a web based online shop. The only exception are the online cooperations included in the online business, which sell to the end customer through a reseller. Due to the way it is managed and reported internally, this area was allocated to the Retail segment.

Segment information is based on the same classification and measurement policies as those used in the consolidated financial statements.

The management board of the TOM TAILOR Group has selected earnings before interest, income taxes, depreciation and amortisation as the measure of profit or loss used for internal management and reporting purposes.

Management reviews the interest result and income tax expense/benefit only on a total consolidated basis.

Based on the management approach set out in IFRS 8, segment assets and segment liabilities are not reported, as these are not reported by segment to the chief operating decision maker.

Intersegment income and expenses as well as intersegment profits are eliminated in the reconciliation.

Intersegment sales reflect market conditions.

Non-cash expenses include mainly changes in provisions, measurement of forward exchange contracts and valuation allowances on inventories.

The above information on segment revenue by geographical area is allocated by location of the customer. Non-current assets by geographical region are comprised of intangible assets and property, plant and equipment.

H. OTHER DISCLOSURES

Research and development

Research and development costs incurred to develop the collections amounted to EUR 7,197,000 (prior year: EUR 7,616,000) and were expensed in full.

Contingent liabilities and other financial obligations

(a) Contingent receivables and contingent liabilities

Tom Tailor GmbH has issued guarantees to banks as security for lease agreements for business premises entered into by Tom Tailor Retail GmbH of approximately EUR 2.5 million (prior year: approximately EUR 2.1 million).

At the reporting date, the Company had contingent liabilities under guarantee agreements of EUR 3.8 million (prior year: EUR 1.4 million). They arise from joint liability for lease agreements entered into by related companies.

In addition, Tom Tailor GmbH has provided a guarantee of EUR 1.3 million to Sparkasse Kufstein in favour of Tom Tailor Gesellschaft m.b.H., Wörgl, Austria.

(b) Other financial obligations

The Group has other financial obligations consisting mainly of rental and operating lease agreements as follows:

	31 December 2009			
	Rentals EUR '000	Operating leases EUR '000	Miscellaneous other EUR '000	Total EUR '000
within one year	17,650	5,800	2,652	26,102
between one and five years	63,900	8,970	7,241	80,111
more than five years	32,070	0	0	32,070
	113,620	14.770	9,893	138,283

	31 December 2008			
	Rentals EUR '000	Operating leases EUR '000	Miscellaneous other EUR '000	Total EUR '000
within one year	13,120	1,375	1,370	15,865
between one and five years	47,481	1,929	6,090	55,500
more than five years	52,509	0	0	52,509
	113,110	3,304	7,460	123,874

Miscellaneous other financial obligations represent mainly fixed payment commitments under a logistics outsourcing agreement.

The increase in financial obligations under rental agreements is due to newly rented retail and outlet stores.

The rental commitments for the logistics centre Nordport of EUR 1.4 million per year (totalling EUR 12.98 million) not included above are offset by sublease payments receivable from the logistics provider DHL in the same amount under a sublease running for the same term.

Please refer to the disclosures on related parties for the contingent payments to members of the management board in connection with a change in control.

Additional disclosures on rental and lease agreements

Lease payments expensed during the year amounted to EUR 4,671,000 (prior year: EUR 3,565,000) and consisted entirely of minimum lease payments. There were no sublease payments or contingent rent payments during either the current or the prior year.

Expenses for operating lease arrangements of EUR 1,178,000 (prior year: EUR 916,000) were recognised during the year.

With the exception of the lease obligation for the logistics centre Nordport, sublease arrangements were immaterial in both the current and the prior year. Please see the discussion under “(b) Other financial obligations”.

Legal issues

Neither the Company nor its subsidiaries are party to court or arbitration proceedings significantly affecting the situation of the Group.

Relationships with related parties

IAS 24 “Related Party Disclosures” requires the disclosure of relationships with persons or entities that control, or are controlled by, the Group, unless they are consolidated in the consolidated financial statements of the Company.

Related parties of the Tom Tailor Group may be members of the management and supervisory boards as well as entities controlled or significantly influenced by these board members. Relationships with joint ventures and associates also fall under this requirement.

Joint ventures and associates

Tom Tailor Group holds an investment in an entity located in Northern Ireland with which it maintains a relationship in connection with its normal operations.

The Northern Irish entity is TT OFF SALE (NI) LTD. and its wholly-owned subsidiary TT OFF SALE (Ireland) LTD., in which Tom Tailor GmbH holds a direct/indirect interest of 49% as part of a franchise joint venture. TT Off-Sale (NI) Ltd. is operated by the joint venture partner. Goods and services supplied to this company during the year amounted to EUR 498,000 (prior year: EUR 3,132,000). As at 31 December 2009 and 2008, receivables from the company totalled EUR 3,019,000 and EUR 3,045,000, respectively.

Related persons

(a) Management board

- Dieter Holzer, businessman, Ravensburg (Chairman)
- Dietmar Axt, businessman, Hamburg
- Dr. Axel Rebien, businessman, Quickborn
- Christoph Rosa, businessman, Schweinfurt

During the year, the members of the management board did not hold memberships in other supervisory boards or supervisory committees.

Remuneration of members of the management board

Members of the management board received the following compensation:

	2009 EUR '000	2008 EUR '000
Fixed remuneration	1,850	1,653
Variable remuneration	439	168
	2,289	1,821

The fixed and variable remuneration was paid during the year or was payable shortly after the corresponding reporting date.

Management board remuneration includes repayable components arising from overpaid management bonus advance payments of EUR 391,000 (prior year: EUR 261,000). These are shown as receivables from the management board under other assets.

In accordance with IAS 19, pension provisions of EUR 69,000 (prior year: EUR 69,000) have been recognised for pension obligations to former members of the management board and their surviving dependants.

The Company has agreements with Dr. Rebien, Mr. Axt and Mr. Rosa, all members of the management board, regarding a bonus which is payable contingent on the disposal of the majority of the shares in the Company, including by way of an initial public offering of the Company's shares. The bonuses for Dr. Rebien and Mr. Rosa amount to 0.5% (Dr. Rebien) and 0.2% (Rosa) of the enterprise value determined in connection with the disposal and are limited to a maximum of EUR 1.5 million and EUR 1.0 million,

respectively. The bonus for Mr. Axt amounts to EUR 300,000 for a disposal of the majority in 2010 and EUR 200,000 for a disposal of the majority in 2011.

The shareholders have entered into a shareholders' agreement stating that if the majority of the Company's shares are sold, including by way of an initial public offering of the Company's shares, the selling shareholders will make a one-time payment to Mr. Holzer of EUR 1 million and will pay an additional EUR 500,000 for each EUR 10 million by which a gross sales value of EUR 250 million (extrapolated to all shares) is exceeded, as well as an additional amount of EUR 5 million if the gross sales value exceeds EUR 300 million (extrapolated to all shares).

No share-based payments were granted during either the current or the prior year.

In addition, Mr. Holzer has granted two shareholder loans of EUR 620,000 (prior year: EUR 584,000) and EUR 461,000 (prior year: EUR nil) to the Company.

On 28 November 2008, Tom Tailor GmbH has entered into a lease agreement with Georg Michael Rosa, father of the member of the management board Christoph Rosa, for business premises to be operated as a Company-owned retail store in Schweinfurt starting 1 January 2009. The agreement relates to the showrooms including office and ancillary space totalling approximately 550 sqm. The agreement covers a period of five years. The annual base rent is EUR 225,000 and increases to EUR 230,000 over the period from 2011 to 2013.

Shares held by members of the management board

At the reporting date, members of the management board directly held 5.00% (prior year: 5.00%) of the Company's shares.

(b) Supervisory board

- Uwe Schröder, businessman, Hamburg (member and chairman)
- Thomas Schlytter-Henrichsen, businessman, Königstein/Taunus (vice chairman)
- Thomas Heymann, lawyer, Frankfurt am Main (until 21 April 2009)
- Alain Blanc-Brude, managing director, Monaco (since 21 April 2009)

Under the articles of association and in addition to reimbursement of expenses, the members of the supervisory board are entitled to receive appropriate remuneration, to be set by a resolution of the annual general meeting subsequent to year-end. Additionally, the members of the supervisory board are also reimbursed for all their expenses and any

value-added taxes due on their remuneration and expenses. Remuneration of the supervisory board for the year totalled EUR 90,000 (prior year: EUR 350,000).

Uwe Schröder (chairman), Alain Blanc-Brude and Thomas Schlytter-Henrichsen indirectly hold shares in TOM TAILOR Holding AG.

Tom Tailor GmbH has entered into a consulting agreement with Schröder Consulting GmbH, with fixed annual compensation of EUR 50,000 (net) plus expense reimbursements of a flat EUR 4,000. No compensation was payable in 2009, as no services were rendered during 2009.

Tom Tailor GmbH has an employment contract with the son of Uwe Schröder, the chairman of the supervisory board, Oliver Schröder. Oliver Schröder has been employed by Tom Tailor GmbH since 1998.

(c) Shareholders

At the reporting date, the Company had recognised shareholder loans of EUR 57,612,000 (prior year: EUR 46,408,000), including accrued interest.

In January 2005, the shareholders granted loans to the Company with an original principal of EUR 23,000,000 as part of the financing obtained for the share acquisitions. The shareholder loans were subordinated to the bank loans. They bear interest at 6% p.a. and mature on 31 December 2016. In December 2006, additional loans of EUR 15,000,000 (interest of 6% p.a.) were granted to the Company, and in 2009, the shareholders of TOM TAILOR Holding AG provided additional shareholder loans of EUR 9,000,000 which were bearing interest of 5% in 2009. The interest rate on the loans granted in 2009 increases to 12% p.a. starting in 2010. At the end of 2009, the loans granted in January 2005 and December 2006 were subordinated to all other creditors of TOM TAILOR Holding AG (31 December 2009: EUR 48.4 million).

In January 2008, the Company entered into a consulting arrangement with Dr. Piofrancesco Borghetti, who, as shareholder of Morgan Finance S.A., also holds shares in TOM TAILOR Holding AG indirectly. The agreement calls for annual fixed remuneration of EUR 100,000 (net) plus reimbursement of expenses. The Company did not pay any remuneration in 2009 (prior year: EUR 100,000), as Dr. Piofrancesco Borghetti did not provide any consulting services in 2009 by mutual consent.

Events after the reporting period

No events occurred after the reporting period that would have a material effect on the Group's net assets, financial position or results of operations.

Issuance of the consolidated financial statements

The consolidated financial statements prepared voluntarily in accordance with IFRS were authorised for issue by the management board on 17 February 2010.

Hamburg, 17 February 2010

Management Board

APPENDIX VI

AUDITORS' REPORT

We are issuing the following unqualified audit opinion on the consolidated IFRS financial statements as at 31 December 2009 which have been prepared voluntarily and are attached as Appendix I to V:

To TOM TAILOR Holding AG, Hamburg:

We have audited the consolidated financial statements prepared by **TOM TAILOR Holding AG, Hamburg,** and comprising the statement of financial position sheet, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements in accordance with IFRS as adopted in the EU is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB [Handelsgesetzbuch; "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW; "Institute of Public Auditors in Germany"). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system over financial reporting and the evidence supporting the disclosures in the consolidated financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities consolidated, the determination of entities to be consolidated, the accounting and consolidation policies used and significant judgements and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted in the EU and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these financial reporting standards.

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Götze	Schmidt
German public auditor	German public auditor

Hamburg, 18 February 2010

* * * * *

Use of the auditors' report outside of the consolidated financial statements requires our prior consent. Our renewed comments are required if the consolidated financial statements are published or reproduced in a form differing from the version certified by us (including translations into other languages), should our auditors' report be quoted in this connection or if reference is made to our audit; we refer to Section 328 HGB.

* * * * *