

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange plc has not itself examined or approved the contents of this document nor will it.

Prospective investors should read the whole text of this document and should be aware that an investment in the Company involves a high degree of risk. The attention of prospective investors is drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

This document comprises an admission document prepared in accordance with the AIM Rules. It does not constitute a prospectus for the purposes of the Prospectus Rules and the Financial Services and Markets Act 2000 and has not been, and will not be, approved by or filed with the FCA.

The Directors, whose names appear on page 3 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

Application will be made for the whole of the issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 20 November 2013. The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made.

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# Bonmarché Holdings plc

*(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 8638336)*

**Placing of 20,007,260 Ordinary Shares at 200 pence per share**

**Admission to trading on AIM**

***Nominated adviser and broker***

**Investec Bank plc**

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## Expected share capital of the Company immediately following Admission

	<b>Issued and fully paid</b>	
	<i>Aggregate Nominal Value</i>	<i>Number</i>
Ordinary shares of 1 pence each	£500,181.50	50,018,150

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The Selling Shareholder is offering 20,007,260 Ordinary Shares under the Placing. The Company will not receive any of the proceeds of the Placing. The net proceeds of the Placing will be paid to the Selling Shareholder.

The Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Investec has been appointed as nominated adviser to the Company in connection with the Placing and Admission. The responsibilities of Investec, as nominated adviser under the AIM Rules, are owed solely to the London Stock Exchange. In accordance with the AIM Rules, Investec has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules have been complied with. No representation or warranty, express or implied, is made by Investec as to any of the contents of this document and Investec has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document, for which the Company and the Directors are solely responsible.

Investec, which is authorised in the United Kingdom by the PRA and regulated by the FCA and the PRA, is acting exclusively for the Company and the Selling Shareholder and no-one else in connection with Admission. It will not be responsible to persons other than the Company and the Selling Shareholder for providing the protections afforded to its clients or for advising any other person on the contents of this document or on any other transaction or arrangement referred to in this document.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States, Canada, Australia, the Republic of South Africa or Japan. The issue of the Ordinary Shares has not been, and will not be, registered under the applicable securities laws of the United States, Canada, Australia, the Republic of South Africa or Japan and the Ordinary Shares may not be offered or sold directly or indirectly within the United States, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, any persons within the United States, Canada, Australia, the Republic of South Africa or Japan. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

Copies of this document, which is dated 15 November 2013, will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of the Company at Jubilee Way, Grange Moor, Wakefield, West Yorkshire WF4 4SJ for one month from the date of Admission.

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Timothy John Rollit Mason ( <i>Non-Executive Chairman</i> ) Beth Janet Butterwick ( <i>Chief Executive Officer</i> ) Stephen Alexander Alldridge ( <i>Chief Financial Officer</i> ) Ishbel Jean Stewart Macpherson ( <i>Senior Independent Non-Executive Director</i> ) John Coleman ( <i>Independent Non-Executive Director</i> )
<b>Company secretary</b>	Stephen Alldridge
<b>Registered office</b>	Jubilee Way Grange Moor Wakefield West Yorkshire WF4 4SJ
<b>Nominated adviser and broker</b>	Investec Bank plc 2 Gresham Street London EC2V 7QP
<b>Legal advisers to the Company</b>	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
<b>Reporting accountants and auditors</b>	PricewaterhouseCoopers LLP Benson House 33 Wellington Street Leeds LS1 4JP
<b>Legal advisers to the nominated adviser and broker</b>	Lawrence Graham LLP 4 More London Place London SE1 2AU
<b>Registrar</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## PLACING STATISTICS

Placing Price	200 pence
Number of Sale Shares being sold on behalf of the Selling Shareholder	20,007,260
Ordinary Shares in issue on Admission	50,018,150
Market capitalisation of the Company at the Placing Price	£100,036,300
Percentage of Ordinary Share capital being placed on Admission	40%
ISIN	GB00BF8H6F45
SEDOL	BF8H6F4

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	15 November 2013
Admission effective and dealings commence on AIM	20 November 2013
CREST accounts credited	20 November 2013
Despatch of definitive share certificates by	4 December 2013

*Each of the dates in the above timetable is subject to change at the absolute discretion of Investec, the Selling Shareholder and the Company.*

*References to time in this document are to London time unless otherwise stated.*

## **IMPORTANT INFORMATION**

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under "Part II: Risk Factors" of this document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the laws and practices currently in force in England and Wales and are subject to changes therein.

This document should be read in its entirety before making any investment in the Company.

### **Forward looking statements**

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

### **Presentation of financial information**

The Company publishes its financial statements in pounds sterling.

The Company presents its annual accounts as of the Saturday closest to 31 March of each year, which occasionally will result in a 53 week financial year. The Company did not have a 53 week financial year in the historical numbers presented in this document.

The financial information contained in this document, including that financial information presented in a number of tables in this document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain non-IFRS measures such as earnings before interest, tax depreciation and amortisation (“**EBITDA**”) before exceptional items and EBITDA after exceptional items have been included in the financial information, as the Directors believe that these provide important alternative measures with which to assess the Group’s performance. You should not consider EBITDA before exceptional items and EBITDA after exceptional items as alternatives for Revenue or Operating Profit which are IFRS measures. Additionally, the Company’s calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

### **General notice**

This document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Regulations 2005 in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Directive only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales for registration.

This document has been prepared for the benefit only of a limited number of persons all of whom qualify as “qualified investors” for the purposes of the Prospectus Directive, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this document (either in whole or in part) without the prior written consent of the Company and Investec is prohibited.

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“A Ordinary Shares”	the A ordinary shares of £1 each in the capital of the Company;
“Acquisition Agreement”	the sale of business agreement entered into between: (i) LMB Realisations Limited formerly Bon Marché Limited), Inhoco 336 Limited, Hilton Fashions Limited and Wiltex ByWilson Limited (each in administration); (ii) the Administrators (as defined therein); and (iii) Bluebird UK Bidco Limited (since renamed Bonmarché Limited), as more particularly described in paragraph 14.7 of Part IV of this document;
“Act”	the Companies Act 2006;
“Admission”	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules;
“AIM”	the AIM market, being a market operated by the London Stock Exchange;
“AIM Rules”	the rules for companies governing admission to and the operation of AIM, published by the London Stock Exchange;
“Articles”	the articles of association of the Company to be adopted conditional upon Admission;
“Audit Committee”	has the meaning set out in paragraph 14 of Part I of this document;
“B Ordinary Shares”	the B ordinary shares of 1 pence each in the capital of the Company;
“B1 Ordinary Shares”	the B1 ordinary shares of 1 pence each in the capital of the Company;
“B2 Ordinary Shares”	the B2 ordinary shares of 1 pence each in the capital of the Company;
“Board”	the board of directors of the Company for the time being;
“CGC”	the UK Corporate Governance Code published by the Financial Reporting Council;
“Company” or “Bonmarché”	Bonmarché Holdings plc, registered number 8638336 whose registered office is at Jubilee Way, Grange Moor, Wakefield, West Yorkshire WF4 4SJ;
“Consulting Amendment Letter”	an amendment letter to the Consulting Agreement dated 25 September 2013, pursuant to which the Consulting Agreement was amended in consideration of the one off payment of £1.5 million by Bonmarché Limited to the Sun Adviser;
“Controlling”, “Controlled by” or “Control”	with respect to any person, means: (i) directly or indirectly the power to: (a) direct or cause the direction of the management and policies of such person (whether through the ownership of voting securities, by deed or otherwise); or (b) elect more than one half of the directors, partners or other individuals exercising similar authority with respect to such person in each case where such power is directly or indirectly exercised, or (ii) the possession, directly or indirectly, of a voting interest of more than 50 per cent.;

“CREST”	the system for the paperless settlement of share transfers and the holding of uncertificated shares operated by Euroclear UK & Ireland Limited (formerly CRESTCo);
“Directors”	the directors of the Company as at the date of this document whose names are set out on page 3 of this document and “Director” means any one of them;
“EBITDA”	has the meaning set out in the “Presentation of financial information” section on pages 5 to 6 of this document;
“EBT”	the Bonmarché Employee Benefit Trust established by the Company on 5 November 2013;
“ECJ”	the European Court of Justice;
“Executive Directors”	Beth Butterwick and Stephen Alldridge;
“Existing Ordinary Shares”	the A Ordinary Shares, the B Ordinary Shares, the B1 Ordinary Shares and the B2 Ordinary Shares in issue as at the date of this document to each be converted into Ordinary Shares conditional upon Admission;
“FCA”	the Financial Conduct Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Group” or “Bonmarché Group”	the Company and its subsidiaries;
“HMRC”	HM Revenue and Customs;
“IFRS”	International Financial Reporting Standards as adopted for use in the European Union;
“Investec”	Investec Bank plc, the Company’s nominated adviser and broker;
“JSOP”	the Bonmarché Holdings plc Joint Share Ownership Plan;
“Like-for-Like”	sales which reflect the percentage change in store sales over a period, stripping out the impact of new store openings and closures in the current or previous financial period;
“Listing Rules”	the listing rules made by the UKLA under Part VI of FSMA;
“London Stock Exchange”	London Stock Exchange plc;
“LMA”	the Loan Market Association;
“Lock-in and Orderly Market Deeds”	the lock-in and orderly market deeds dated 15 November 2013 entered into by the Company and Investec with each of the Executive Directors, the Senior Managers who hold Ordinary Shares and the Selling Shareholder respectively, details of which are set out in paragraph 14.2 of the Part IV of this document;
“Management Loans”	the loan agreements with Jeffrey Bee and Sean Emmett pursuant to which the Company lent £237,800 to Jeffrey Bee and £76,850 to Sean Emmett to fund the subscription price for the B1 Ordinary Shares and B2 Ordinary Shares acquired by them on 16 October 2013;
“Management Shareholders”	has the meaning set out in paragraph 9.3.3 of Part IV;



“Model Code”	the code set out in Annex I to Rule 9 of the Listing Rules;
“NOMAD Agreement”	the nominated adviser and broker agreement dated 15 November 2013 between the Company and Investec, details of which are set out in paragraph 14.3 of Part IV of this document;
“Non-Executive Directors”	Tim Mason, Ishbel Macpherson and John Coleman;
“Observer”	an observer appointed by the Selling Shareholder, pursuant to the Relationship Agreement, to attend and observe but not speak at meetings of the Board;
“Official List”	the official list of the FCA;
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company;
“Panel”	the Panel on Takeovers and Mergers;
“Peacocks”	The Peacock Group plc;
“Placing”	the conditional placing of the Sale Shares pursuant to the Underwriting Agreement;
“Placing Price”	£2 per Sale Share;
“PRA”	the Prudential Regulation Authority;
“Prospectus Directive”	Directive 2003/71/EC;
“Prospectus Rules”	the prospectus rules of the FCA made pursuant to section 73A of FSMA;
“QCA Guidelines”	the corporate governance guidelines for small and mid-size quoted companies published by the Quoted Companies Alliance in May 2013;
“Recharge Agreement 2012”	the cost recharging agreement entered into between the Company and the Selling Shareholder dated 16 August 2012, details of which are set out in paragraph 9.3.5 of Part IV of this document;
“Recharge Agreement 2013”	the fee recharging agreement entered into between the Company and Bonmarché Holdings LLC dated 16 August 2013 as amended on 31 October 2013, details of which are set out in paragraph 9.3.4 of Part IV of this document;
“Relationship Agreement”	the Relationship Agreement between, <i>inter alia</i> , the Company, Investec and the Selling Shareholder, details of which are set out in paragraph 14.4 of Part IV of this document;
“Remuneration Committee”	has the meaning set out in paragraph 14 of Part I of this document;
“Restricted Share Agreements”	the agreements between the Company, the EBT and each of the Executive Directors and Senior Managers whereby certain vesting arrangements will continue to apply to the Ordinary Shares held by the Executive Directors and Senior Managers following Admission, further details of which are set out in paragraph 6.2 of Part IV of this document;
“Sale Shares”	the 20,007,260 Ordinary Shares to be sold by the Selling Shareholder pursuant to the Placing;

“Selling Shareholder”	BM Holdings S.A.R.L. (further details of whom are set out in paragraph 11 of Part I of this document);
“Senior Manager” or “Senior Managers”	any or all of Caroline Cotton, Mark Pickersgill, Jeffrey Bee and Sean Emmett;
“Share Exchange Agreement”	the agreement dated 26 September 2013 between the Company, the Selling Shareholder, Beth Butterwick, Stephen Alldridge, Mark Pickersgill and Caroline Cotton, details of which are set out in paragraph 14.6 of Part IV of this document;
“Shareholder”	a holder of an Ordinary Share;
“Shareholder Affiliates”	for the purposes of the Relationship Agreement, any of the Selling Shareholder, a person which is a holding company or subsidiary of the Selling Shareholder (excluding following Admission, the Bonmarché Group), or any person which: (i) Controls the Selling Shareholder; (ii) is Controlled by the Selling Shareholder; and (iii) is Controlled by the same person(s) who Controls the Selling Shareholder;
“Shareholder Director”	a Director appointed to the Board by the Selling Shareholder pursuant to the Relationship Agreement;
“Sun”	Sun Capital US and its subsidiaries and affiliates;
“Sun Adviser”	Sun Capital Partners Management V, LLC;
“Sun Capital US”	Sun Capital Partners, Inc.;
“Sun European Partners”	Sun European Partners L.L.P., the European adviser to Sun;
“Takeover Code”	the City Code on Takeovers and Mergers;
“Underwriting Agreement”	the conditional agreement dated 15 November 2013 between the Company, Investec, the Directors and the Selling Shareholder relating to the Placing and Admission, details of which are set out in paragraph 14.1 of Part IV of this document;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	the UK Listing Authority;
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia; and
“Verdict”	Verdict Research Ltd, a business information provider and a trading division of Informa UK Ltd, with its business address at 119 Farringdon Road, London EC1R 3DA and registered office at Mortimer House, 37-41 Mortimer Street, London W1T 3JH.

## PART I

### INFORMATION ON THE GROUP

#### 1. INTRODUCTION

Bonmarché is one of the UK's largest women's value retailers focused on selling affordable, stylish, premium quality clothing and accessories in a wide range of sizes to women over 50 years old. The average age of the UK population is increasing and the Directors believe that Bonmarché is well placed to take advantage of its strong market position in the over 50 year old segment, given the limited number of competitors directly focused on a similar age group and price point.

Bonmarché has 265 stores in the UK, and as at 28 September 2013 employed approximately 1,700 full-time equivalent employees. Its products are primarily own-brand, and categories include casual and formal separates, outerwear, swimwear, lingerie, nightwear, accessories and footwear. The Group's products are primarily sold through its own store portfolio, complemented by its website, mail order catalogues, a telephone order service and through the Ideal World TV shopping channel. All sales channels are supported by an established and strong customer loyalty database comprising approximately 6.5 million members, which gives the Group an excellent insight into its customers and allows it to communicate directly with them.

The Group has grown strongly as a result of a strong product and service proposition, which have been widely recognised and have helped it to achieve the following accreditations:

- voted No.1 "Clothing Retailer" and No.5 "Best High Street Shop" by consumers in the Which 2013 Satisfaction Survey;
- voted No.2 in the "Best Overall Retailer" and "Best Clothing Retailer" categories at the Verdict 2013 Awards;
- voted No.1 for "Women's Knitwear" in Women's Weekly 2013; and
- DBM (Data Base Marketing) Award 2013 for "Innovation in Insight Driven Direct Mail Marketing".

The executive management team, led by Chief Executive Officer Beth Butterwick, an experienced retailer who joined the Group in October 2011, has successfully positioned the Group to take advantage of the underlying growth trends in its targeted markets. Bonmarché will seek to generate further growth through the development and enhancement of its product range, the development of the Group's own store portfolio, growing its online and multi-channel proposition and seeking to develop additional sales channels.

In the 52 weeks ended 30 March 2013, the Group generated EBITDA (before exceptional items) of £9.1 million on revenue of £146.8 million. In the 26 weeks ended 28 September 2013, the Group generated EBITDA (before exceptional items) of £6.7 million on revenue of £81.5 million.

#### 2. HISTORY AND DEVELOPMENT

The Bonmarché business was established in 1982. After opening its first store in Doncaster, Bonmarché developed into a 200-strong store chain by 2002, when it was sold to Peacocks (the value fashion retailer targeting the over 25 female shopper).

As a subsidiary of the Peacocks group, the business grew rapidly and was operating from over 390 stores by January 2012. When Peacocks ran into financial difficulties and went into administration in January 2012, the Bonmarché business was acquired by Bonmarché Limited, an affiliate of Sun Capital US from the administrators of the Peacocks group.

Sun Capital US is a leading private investment firm focussed on leveraged buyouts, equity, debt and other investments in market-leading companies. Sun Capital US has offices in Boca Raton, Los Angeles and New York, and affiliates in London, Frankfurt, Paris, Luxembourg, Shanghai and Shenzhen. Within the UK, affiliates of Sun Capital US also own other retailers, including the Jacques Vert Group (which includes the Alexon business), ScS, Dreams, American Golf and Sharps Bedrooms.

Following the acquisition in January 2012, the Directors and management have successfully implemented a turnaround strategy. The turnaround strategy concentrated on the following areas:

- repositioning the brand back to its core strengths – offering good value, stylish fashion, in a consistent quality and a ‘fit for purpose’ product offering to female customers aged 50 plus;
- restructuring the store portfolio, delivering significant cost savings through the closure of unprofitable stores, representing approximately 33 per cent. of the store estate and renegotiating property leases on the remaining stores, resulting in a circa 29 per cent. reduction in rental payments, agreement in most cases to monthly rents (from quarterly rents), and increased flexibility afforded by shorter lease lengths;
- development of supplier relationships post-administration, with a focus on a smaller number of key suppliers; and
- strengthening the management team with the addition of a new multi-channel and marketing director, and several other key appointments at senior/mid management level.

### **3. THE GROUP'S BUSINESS**

#### ***Customer profile***

The Group's principal customer base comprises women aged 50-plus who are attracted by the proposition of stylish, affordable, fit for purpose and quality apparel.

The Group has developed profiles of four customer groups based on bandings and spending patterns, which it believes characterises its target market in a way which can be used for decision making, in particular, relating to the development of product ranges, price architecture and service proposition. It has been able to do this, using data collected from its customer loyalty card database.

#### ***Loyalty card***

The loyalty scheme, known as the “Bonus Club” was established in 2002 and now comprises approximately 6.5 million members, of whom 1.8 million are categorised as “active” (customers who have shopped with Bonmarché within the last 12 months). The database gives the Group insight into its customers' spending patterns, onto which can be overlaid proprietary data from third party sources, which allows the Group to develop an accurate understanding of its customers. This is used extensively for marketing, as well as to inform the building of product ranges and price architecture.

The loyalty scheme is relatively simple in operation. The main benefits for members are targeted discounts (subject to a minimum spend threshold), communicated via mailings and emails, and in-store member-only events. Transaction behaviour is captured at the point of sale and in the 26 weeks ended 28 September 2013 approximately 70 per cent. of sales were recorded as “Bonus Club” transactions; meaning that the member's loyalty card is swiped at the point of sale.

Bonus Club members are categorised by their level of expenditure and frequency of transaction. “High Value” customers are defined as those who spend more than £50 per annum and “High Loyalty” customers are defined as those who purchase products in at least three financial quarters of the year.

Approximately 24 per cent. of active Bonus Club members are classified as High Value – High Loyal (“**HVHL**”). In the 26 weeks ended 28 September 2013, HVHL sales represent about 55 per cent. of Bonus Club sales. This group of customers is particularly valuable and therefore a higher proportion of them receive marketing communications than the other segments of the database, allowing the Group to communicate in a cost effective and efficient way with its most valuable customers.

#### ***Product Range***

The Group offers a comprehensive range of own brand womenswear, including coats and jackets, dresses, knitted tops, blouses, knitwear, t-shirts, leisurewear, skirts, trousers and shorts, lingerie, nightwear, swimwear, hosiery, footwear, accessories and jewellery. Seasonal products dominate the mix within each category. For example, in the 52 weeks ended 30 March 2013, they accounted for around 85 per cent. of sales. Non-seasonal continuity line products, such as black trousers and bras, account for approximately 14 per cent. of sales for the 52 weeks ended 30 March 2013. Bonmarché's top five product categories are t-shirts, trousers, knitwear, blouses and coats which collectively accounted for approximately 64 per cent. of sales for the 52 weeks ended 30 March 2013.

The majority of Bonmarché's product range is own brand, although the business has a 'name licence' agreement with Royal dress designer David Emanuel to use his name on a range of higher price point products. Bonmarché also recently acquired the Ann Harvey brand, which will retail at a higher price point when it is re-launched in late 2014.

**Pricing**

Bonmarché's pricing is lower (on an average price measure) than the mid-market (e.g. Marks & Spencer, Debenhams) but positioned above the "pure" value market (e.g. Matalan, Primark or Asda).

Under Peacocks' ownership, sales performance was not as strong as it currently is due to what are now considered by the Directors to have been weak product ranges, a less competitive price architecture and extensive discounting that was undertaken to keep end of season stock levels under control. As the Group's new management began to introduce new product ranges addressing customer needs and to implement its "first price, right price" strategy, full price sales rates have improved and discount levels reduced.

Bonmarché employs a "Good, Better, Best" price architecture. Whilst the Directors and management will maintain Bonmarché's competitive position at the entry price points, customer research, and recent experience supports the potential to introduce a higher priced "Best" products range to Bonmarché.

**Store Estate**

As at the date of this document, Bonmarché operates from 265 stores, relatively evenly distributed throughout the UK, and with no particular concentration in any one area. There are no stores in Central London. The average store size is approximately 2,500 sq.ft., with store sizes across the estate ranging from 1,000 sq.ft. to 5,051 sq.ft..

The type of store location varies by town, with the property requirements being tailored to the local market. Seaside, tourist and market towns tend to be well suited to the Group's product offering and stores are typically located in high street or shopping centre locations, in good secondary pitches where there is good access to public transport and car parks. The Directors believe that the stores are well located for Bonmarché's customer base, with customers preferring to shop locally and frequently. For instance, in the Uxbridge store, 48 per cent. of customers visit Bonmarché once a week or more, which the Directors believe is a notably high visitor frequency for a high street store.

A map showing the Group's store locations as at 28 September 2013 is shown below:



The Group also trades from three concession outlets within the Co-Operative Group Limited host stores. The Group also wholesales to one Bonmarché store in Gibraltar which is third party owned and not included in the store count above.

### **Other sales channels**

The majority of the Group's sales are made through stores with approximately 5.1 per cent. of sales derived from the online channel as at the 26 weeks ended 28 September 2013. The recent recruitment of a multi-channel and marketing director will support the future development of this and other channels and the exploitation of the Bonus Club.

These other channels comprise:

- *Online*

The Group's website, [www.bonmarche.co.uk](http://www.bonmarche.co.uk), was launched in April 2010 and has been profitable since the outset. It is seen by the Directors as a means of offering significant potential for future growth as part of a broader multi-channel strategy. The website was moved to an upgraded technology platform in 2012, which the Directors believe provides a robust and scalable infrastructure for future growth.

Currently, approximately 37 per cent. of online sales are collected in store, allowing for direct customer engagement and the potential to generate additional sales. In the 26 week period ended 28 September 2013, year-on-year online sales growth has been approximately 120 per cent., with web traffic up 83.4 per cent. and conversion up 11.7 per cent. over the same period.

Currently two per cent. of online sales are generated via mobile devices.

- *Mail order catalogue*

The mail order catalogue was launched in September 2012 and Bonmarché produces four issues per year, with approximately 550,000 copies printed per issue. The Directors believe that there remains a large opportunity for further development of the catalogue offering and that it also has the potential to support sales in other channels.

- *TV shopping*

Bonmarché currently has a fortnightly one hour fashion show on the Ideal World TV shopping channel. Since launching in April 2012, Bonmarché has developed into the channel's most successful fashion brand. Bonmarché is currently considering reaching a larger audience to generate increased sales by launching a similar show with another TV shopping channel.

- *Telephone sales*

Bonmarché also operates a telephone sales operation. The contact centre operation was outsourced in May 2013.

The Directors have identified additional selling opportunities in the UK, which are supported by the focus on the over 50 demographic, such as the further development of existing business through residential care homes and trials within garden centres and cruise ships.

### **Sourcing and merchandising**

The Group has strong relationships with stock suppliers in the Far East and Asia. Its top ten suppliers represented approximately 36 per cent. of all stock purchases during the 52 weeks ended 30 March 2013. Lead times on stock orders are up to 20 weeks. The Group is able to make selected in-season and repeat orders on seasonal fashion lines across the separate departments. Part of the Group's strategy is to increase the weight of near-market suppliers to approximately 30 per cent. of the supplier mix in the medium term, which will increase the flexibility of the supply chain.

### **Warehousing and distribution**

The Group's Head Office and central distribution warehouse is located in Wakefield, Yorkshire. As at 30 March 2013, the warehouse was operating at about 60 per cent. capacity, using two 8 hour shifts per day, 5 days per week. The Directors believe that the warehouse has the capacity to serve the needs of the business for the foreseeable future.



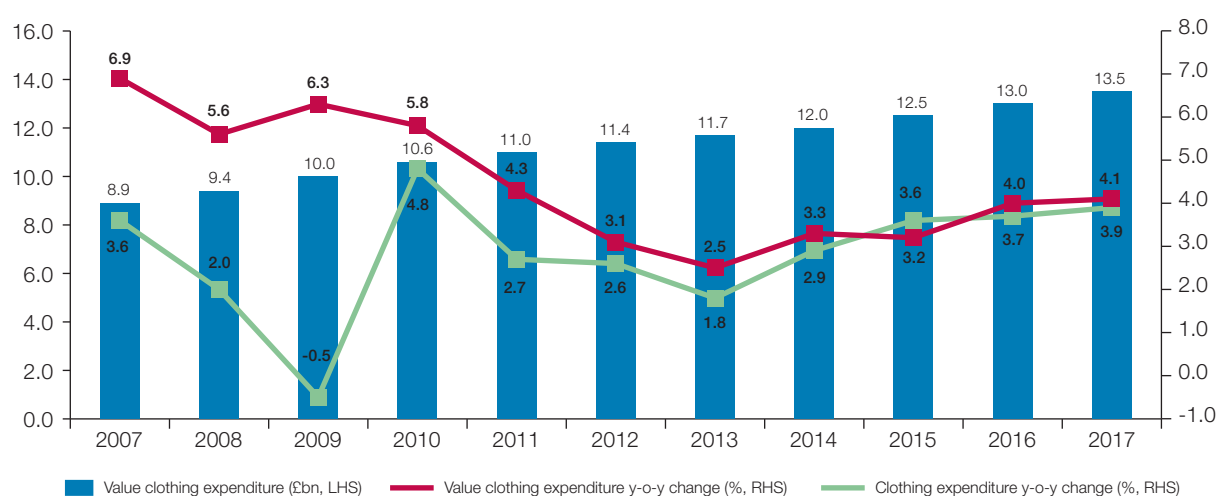
Stock is distributed from the warehouse to stores using Bonmarché's own fleet of vehicles. Online sales are picked up from a separate operation within the distribution centre and distributed either directly to customers via Royal Mail or UK Mail, or to stores for customer collection via Bonmarché's own fleet, or a third party, depending on the delivery frequency applicable to the destination store.

#### 4. THE MARKET

The Directors view Bonmarché's market segment as being principally defined by gender, age and price. Further details about the market in which the Group operates are set out below.

The UK womenswear clothing market was estimated to be worth £21.9 billion in 2013 by Verdict, the retail consultants, and is forecast to grow by 15.4 per cent. by 2017, which represents a compound annual growth rate of approximately 3.65 per cent.. Within this market, the value segment is expected to grow at a faster rate and take a greater market share, growing from £6.0 billion in 2012 to an estimated £7.1 billion in 2017, reflecting an overall forecast growth of 18.3 per cent.

**Value clothing expenditure 2007-2017E (£bn)**

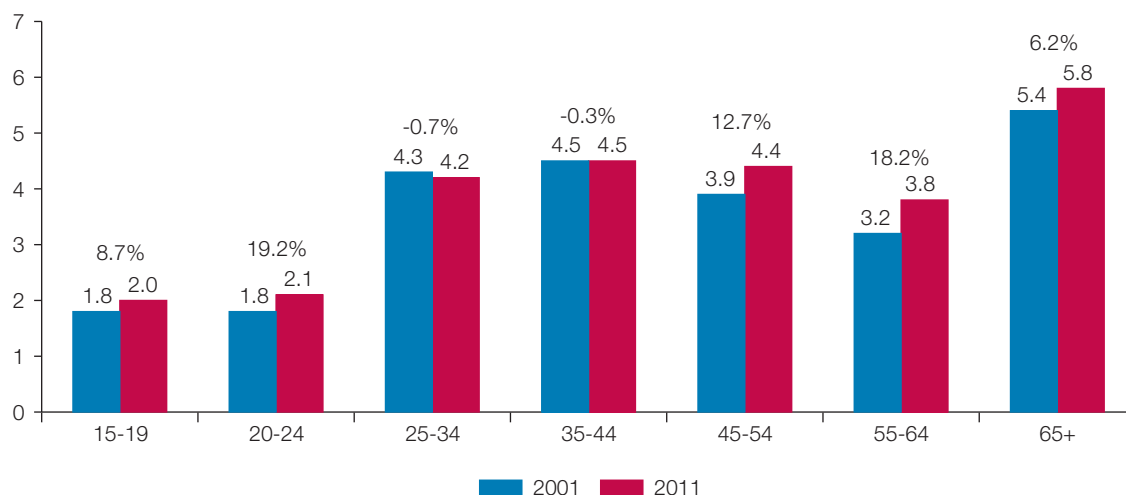


(Source: Verdict June 2013)

Bonmarché's focus of providing affordable prices for the 50 year old plus demographic means that the Directors believe Bonmarché will particularly benefit from both the forecast growth in the UK value clothing market as well as the UK's ageing population.

Bonmarché is estimated by Verdict to currently have a 2.8 per cent. share of the UK value womenswear market segment, positioning it amongst the top ten retailers addressing this market. Bonmarché is however the only retailer in the top ten catering purely to the womenswear market. Indeed, the other nine retailers in the top ten offer assortments of at least two of the three major categories of womenswear, menswear and childrenswear. The Directors believe that the Group's current market share indicates Bonmarché's ability to grow significantly without having to capture a disproportionate market share.

### UK adult female population by age group: 2001-2011 (m)



(Source: Office for National Statistics/Verdict March 2013)

As seen in the chart above, the mature segment of the UK female population has been growing substantially and is expected to continue to be a growing part of the UK female population.

Between 2008 and 2018 the total UK female population is forecast to grow from 30.6 million to 33.9 million, a total growth of 10.7 per cent.. Over the same period the 55 year old and over segment of the population, which largely overlaps with Bonmarché's target market, is expected to grow over twice as fast as the overall population, growing from 9.2 million to 10.7 million.

The Directors believe that Bonmarché operates in a niche within the UK womenswear market, with no direct competitor of significant scale focusing on Bonmarché's age demographic and value proposition. The Directors view the Group's closest competitors to be companies such as Marks & Spencer, Debenhams, Sainsbury's, Asda, Matalan and Edinburgh Woollen Mill. The Directors believe that Bonmarché's offering is differentiated from these competitors, which fall into two distinct categories. First, supermarket and low-price fashion retailers, which have similar or lower pricing than Bonmarché, but who typically cater for younger customers given the higher fashion content of their product ranges. The second group comprises larger retail chains whose customer age bracket overlaps with Bonmarché's, but whose products sell at higher price points.

#### **Key points of differentiation from competitors**

The Directors identify the following as what they believe to be Bonmarché's key points of difference to its competitors:

- **a clear focus on the 50 plus year old female customer** – the Directors believe that Bonmarché is the largest pure-play retailer dedicated to the over 50 years value womenswear market in the UK. The Group is committed to serving this growing demographic, which is increasingly interested in fashionable and affordable clothing;
- **a value for money proposition built on product quality, style, and being fit for purpose** – Bonmarché has maintained a focused price architecture whilst maintaining latest trends for its customers. Due to the appeal of Bonmarché's clothing ranges, the Group has a high rate of repeat customers;
- **the ability to understand and communicate with customers via the Bonus Club** – Bonmarché's loyalty scheme provides valuable insight into the spending habits of its customer base. By understanding and taking into account its customers' needs, Bonmarché can successfully implement the required changes to its service and product offering. Therefore, the Directors believe Bonmarché will drive additional growth utilising data provided by the Bonus Club;
- **customer service delivered by friendly, engaged staff** – Bonmarché has created a positive employee culture which resonates well with its target customers. The Group actively promotes a culture of continuous improvement and acts upon customer feedback; and



- **accessible UK store locations supported by a developing multi-channel presence** – in addition to stores being located in accessible shopping areas, which are convenient for Bonmarché’s target customers, the Group is committed to a growing multi-channel presence, which includes online, catalogues, TV, shopping and sales via a telephone order line. According to the Office for National Statistics, the over 55 year old segment is one of the fastest growing online retail customer groups and Bonmarché has proactively planned to capitalise on this trend by developing improved and relevant online content.

## 5. KEY STRENGTHS

The Directors believe that Bonmarché benefits from a number of key strengths that differentiate it from its competitors and which should enable it to take advantage of current and future growth opportunities. These strengths include:

### **Strong loyalty**

The Group’s strong brand identity and attractive product proposition have been widely recognised, and it has achieved a number of accreditations, including:

- No. 1 “Clothing Retailer” and No. 5 “Best High Street Shop” by consumers in the “Which” 2013 Satisfaction Survey;
- No. 2 in the “Best Overall Retailer” and “Best Clothing Retailer” categories at the Verdict 2013 Awards;
- No. 1 for “Women’s Knitwear” in Women’s Weekly 2013; and
- DBM (Data Base Marketing) Award 2013 for “Innovation in Insight Driven Direct Mail Marketing”.

Customer loyalty is one of the key factors behind Bonmarché’s success, and this is demonstrated by the “Bonus Club”, the Group’s customer loyalty programme. This is a reward scheme that has approximately 6.5 million members, of whom around 1.8 million are classified as “active” (members who have made purchases in the last 12 months). The success of this scheme is illustrated by the fact that in the 26 weeks ended 28 September 2013, Bonus Club sales of £58.1 million excluding VAT (i.e. transactions accompanied by a swipe of the member’s card) constituted over 70 per cent. of all sales made by the Group.

### **Strong store portfolio**

As at the date of this document, the Company has a portfolio of 265 stores in the UK. In order to more appropriately configure the store portfolio, the Directors and management undertook a radical restructuring of the estate in January to March 2012. As a result, 120 under-performing stores were closed, with no continuing liabilities. Furthermore, the Directors and management successfully renegotiated leases on all the remaining stores, resulting in an overall rent reduction of circa 29 per cent., the agreement of monthly rent payments on all except eight stores and a shorter lease tenure, with an average remaining term of approximately four years. The restructuring of the store portfolio post-administration has resulted in the Group benefitting from an estate which is optimally configured in terms of rent levels and occupancy terms and which has no loss-making stores.

Many of Bonmarché’s stores are located in easily accessible shopping areas which enables the Group to serve its customers in their locality, a factor which the Directors believe distinguishes Bonmarché from many of its competitors, some of which are located predominantly in large centres or in out of town retail parks.

To improve the customer experience, the Group has undertaken initiatives to enhance its visual merchandising; thus offering its customers a more enjoyable store experience. This is complemented by tangible improvements to customer service, including the recent introduction of a bra fitting service across all stores.

### **A growing multi-channel presence**

The strong growth of Bonmarché’s online channel since its low-key launch in 2010 has demonstrated that its customers have embraced multi-channel shopping.

The online offering combined with the extensive store estate enables Bonmarché's customers to shop via whichever channel they prefer (including online, in-store or through click and collect). This may not be available from some of Bonmarché's competitors, for example from pure online or mail order retailers.

### ***The brand***

The Bonmarché brand, under which most of its products are sold, is not available from any competitor. This is an especially important distinction in relation to online competition, as brands which are universally available via different retailers may become commodities, which make it difficult for a multi-channel retailer without ownership of its brand to gain a competitive advantage.

### ***Broad product range with further scope for diversification***

Bonmarché's product teams are based at the Group's head office in Wakefield. Its product offering, available in a wide range of sizes, maintains the Group's particular focus on the over 50 year old women's value market. New collections are delivered approximately eight times each year, with a particular focus on the spring/summer and autumn/winter seasons. In addition, new items are made available to customers, on a weekly basis.

There is a strong core base of non-seasonal products that are available year round, which include casual and formal separates, outerwear, nightwear and lingerie. These are complemented by more seasonal products, such as swimwear, dresses, tailoring and soft separates. Furthermore, given Bonmarché's insight into its target customer base's spending habits and tastes, through its loyalty programme, the Group has identified the scope to grow its accessories and gifting product ranges and offer its customers additional complimentary lifestyle products.

### ***Talented and dedicated employee base***

Bonmarché has a strong, positive employee culture, which resonates well with its target customers; an assertion which is supported by the accreditations which the Group has received and is supported by the Group's mystery shopper programme. A recently re-established formal appraisal structure has enabled Bonmarché to identify the individual development needs of its employees and promote a culture of continuous improvement.

For the first time in 2012, a culture survey was carried out across the whole Group, to give the Directors and management insight into issues and opportunities in relation to which it should focus its attention. This is now an established discipline, which the Directors believe will be important to underpin the delivery of the Group's business plan.

To further strengthen its human capital, Bonmarché has hired a talent manager within its HR function, to support the training, development and recruitment of specialised head office roles.

### ***An experienced management team***

The Executive Directors and Senior Managers, who are all involved in both the strategic and the day-to-day running of the business, have extensive experience in design, buying, merchandising, retail, marketing and operations. Together the Directors and Senior Managers have extensive retail business experience between them having previously held management positions at a number of well-known UK retailers including Marks & Spencer, Next, Sainsbury's, Matalan and the Arcadia Group.

In addition, the Directors and Senior Managers have considerable knowledge and experience of the mature women's clothing and accessories market, including the value retailing segment. With various appointments over the last two years, the team has been strengthened further, to continue the growth trajectory of the Group and the Bonmarché brand.

### ***A coherent strategy***

The Directors expect the Group to benefit from the anticipated growth in its existing market; they also consider that there are opportunities for the business to develop through extending the Bonmarché brand further, via the product range, development of its multi-channel offer, improvements to the existing stores and modest growth in the store estate, the development of other channels such as residential care homes, cruise ships and garden centres, and the enhancement of its customer loyalty programme.

The Directors believe that this strategy, together with the skills and experience of the Senior Managers to execute it, should deliver attractive and sustained growth.

### ***Transformed business with a step change in profitability under current management***

The Directors believe that, since the acquisition by Sun in January 2012, the Directors and Senior Managers have significantly transformed the business and achieved a step change in profitability and performance. Like-for-Like sales densities per square foot have improved by approximately seven per cent. since February 2012, which is reflective of stronger performance throughout the entire store portfolio principally due to continued improvements in product ranges and management's initiative to refocus the brand back to its core strengths. In order to ensure consistency across all sales channels, management has developed a brand bible.

The Group's sales have grown 12.7 per cent. on a Like-for-Like basis in the six month period ended 28 September 2013 relative to the prior year's corresponding period, with a respective growth in EBITDA (before exceptional items) of 80 per cent. over the same period through a combination of operating efficiencies, including the renegotiation of property leases across the estate. For more information, see "Financial Information on the Group" in Section B of Part III of this document. Furthermore, the Directors believe that the current management has implemented strategies that will continue to increase Bonmarché's market share and profitability.

Since the acquisition, the Directors and Senior Managers have transformed the culture of the business through the introduction of a strong ownership and trading culture, rather than an "employee" mentality. This has been driven by a faster and more proactive and empowered management style focused on margin and cash generation, rather than just sales.

## **6. STRATEGY**

The Directors believe the dedicated focus on the over 50 years, value womenswear market, places Bonmarché in a growing market segment. The Executive Directors and Senior Managers have developed a strategy focused on four core areas, which they believe should enable Bonmarché to gain market share:

### ***Develop and enhance product range***

The product range development and enhancement lies at the core of the Board's strategy and builds on the strategic initiatives already undertaken since the beginning of 2012:

- ***Building back the gaps in the ranges*** – the management team have identified what they consider to be gaps within the scope of Bonmarché's existing range definitions, which arose historically under Peacocks' management. These gaps, across several product categories such as coats, tops, blouses and skirts, create the opportunity to re-establish credibility and dominance in areas where Bonmarché, has historically been strong;
- ***Growing categories to their market potential*** – there are certain product categories, such as dresses, denim and intimate apparel, in relation to which Bonmarché has historically not offered a comprehensive range, but which would be entirely congruent with its customers' expectations of a credible womenswear offer. This presents an opportunity, which the Directors and Senior Managers plan to exploit;
- ***Development of new categories not currently offered*** – as outlined above, Bonmarché's customers display considerable loyalty to the brand, and management plan to offer new categories, relevant to the customer group, which they believe would sell well across Bonmarché's sales channels alongside the existing ranges. For example, an expansion of the David Emanuel brand into lingerie, swimwear and accessories and Bonmarché own-branded gifting and beauty;
- ***Introduction of a complimentary brand – Ann Harvey*** – the Group already sells under the David Emanuel brand and has recently acquired the Ann Harvey brand, which will be re-launched in late 2014; and
- ***Operational improvements*** – the Directors and Senior Managers have developed a plan to implement operational improvements, which will support the increasing sophistication and accuracy required in relation to product merchandising and range developments. These include increasing the mix of near-market suppliers, and an upgrade to the range planning system in 2014/2015, which the

Directors believe will provide Bonmarché with increased flexibility, particularly in relation to seasonal trends. The Directors also plan to invest approximately £3.5 million between now and Autumn 2014 out of existing Group funds into a new EPOS system for all stores.

### ***Improved multi-channel engagement and shopping***

The over 55 segment is one of the fastest growing age segments of the online retail market since 2008 and, Bonmarché seeks to take advantage of this positive trend. To support this, it has recently appointed Sean Emmett as multi-channel and marketing director.

- **Online** – The Directors have formulated a clear online strategy that in 2012 included the launch by the Group of a refreshed website using an upgraded technology platform which, coupled with creating and expanding appropriate content in conjunction with the merchandising team, provides the infrastructure for further growth. The new platform will allow the development of improved online marketing, with the goal of attracting more customers to the Group's website, and a better customer experience with a view to driving higher average basket values. These objectives will be achieved using more effective paid advertising, improved search engine optimisation, better product presentation and analysis of customer behaviour to inform development decisions. The delivery of this online strategy encompasses an optimised mobile and tablet offering as well in addition to the existing online presence.
- **Multi-channel** – Bonmarché's established Bonus Club scheme is a valuable source of data, which the Directors intend to leverage as part of the multi-channel sales strategy. Improvements to the Bonus Club scheme are integral to Bonmarché's sales strategy and will enable the Group to deliver enhanced member benefits and allow more sophisticated segmentation of the database. The improved member benefits are intended to build on the existing loyalty, and attract new customers. Improved database segmentation will allow communications to customers to be more personally tailored to them.

The Group has recently introduced new ways for its customers to shop, to complement its store and online channels. These include mail order catalogues, a telephone order line, and TV shopping. Over the next 12 months, the Group plans to offer customers further options, including Bonmarché shops within eBay and Amazon.

Multi-channel fulfilment represents a further growth opportunity. The Directors believe that customers are generally satisfied with the current delivery offer (free collect in-store within seven days or via Royal Mail or UK Mail to their home, in two to five working days) but as their demands evolve, there is an opportunity to further improve it. The Group plans to invest in new systems and processes to meet these evolving needs, and also allow Bonmarché to interact more effectively with customers during the fulfilment journey.

The Directors believe that despite the loyalty of its existing customers, Bonmarché's brand is still under-recognised within its target market. Part of the marketing strategy is therefore to increase this brand awareness, through increased TV selling presence, infomercials, and PR.

### ***Develop store portfolio***

- **Brand identity and store refit programme** – The Group's refit programme falls into three categories; full, medium and light. Bonmarché is currently running a trial phase on a store refurbishment programme, whereby five low-cost refits and five full refits (four pre-Christmas, one post-Christmas) will be assessed, and if proven to be successful will pave the way for a more extensive rollout programme in 2015 and 2016, allowing less high profile stores within the estate to be modernised at relatively low cost, and the best and/or highest profile stores to be refitted more comprehensively, to showcase to a wide audience, the evolution of the brand, and leverage the brand enhancements currently being developed. In parallel with this, the Group has developed a new brand identity which is being tested in stores and analysed using customer focus groups. The Directors believe that in due course a third category of refit will be developed, which will combine elements of low cost refit and the full refit. This category will be rolled out across certain stores in the estate that do not fit the profile for either a full refit or a low cost refit.
- **Customer service improvement** – The Group will build on existing initiatives to improve its customer service proposition, and thereby increase conversion, repeat purchases, and brand loyalty. It is trialling the introduction of footfall counters in all stores, which will provide the Directors and Senior Managers

with an insight into the relative success of individual stores in converting customer traffic into sales, and in-turn allow staff feedback and coaching to be more targeted and effective. In conjunction with this, the Group will develop its “Customer First” programme of mystery shopper visits, conducted by third parties and introduced in 2012. Initial results have already shown a high and improving customer satisfaction score.

To support these service improvements, store colleagues will receive training and development to allow them to interact more effectively with customers. Some training will be of a technical nature, for example such as has recently been implemented to allow the introduction of bra fitting service across all stores. Other service development initiatives include visual merchandising and customer outfit building.

- **New stores** – The Group’s growth plan does not rely heavily on the opening of new stores, however, there are certain locations where Bonmarché has identified a market that is under-served, and therefore the plan allows for a modest, targeted, new store opening programme. The Group plans to open approximately five new stores per annum with an initial focus on re-entering cities and towns where Bonmarché has previously operated stores and which are known to be strong trading locations.

### ***Develop further sales channels***

Bonmarché has an existing relationship with approximately 1,000 care homes in the locales of its stores, whereby staff hold sales events during the year for customers who may not otherwise have access to shops. This business has been developed on an ad-hoc basis by store staff, and the Group plans to bring a more strategic approach to these “relationships”, which it believes presents a further sales opportunity. The Directors estimate there to be in the region of 20,000 such homes throughout the UK. The Group has recently appointed a Business Development Manager to “professionalise” this operation and pursue additional selling opportunities.

Market information relating to Bonmarché’s target customers has given the Directors and Senior Managers an insight into key leisure pursuits enjoyed by them. This has informed the identification of other opportunities which may exist for Bonmarché to further develop additional selling channels within, for example, garden centres and cruise ships. Bonmarché is currently trialling a small number of stores located in garden centres, and the first store opened in October 2013.

## **7. CURRENT TRADING AND PROSPECTS**

The financial information for the 26 week period ended 28 September 2013 is set out in Section B of Part III of this document. Save as disclosed in paragraph 14.5 of Part IV of this document, there has been no significant change in the financial or trading position of the Group since 28 September 2013. Current trading is in line with the Board’s expectations. The Board continues to implement the Group’s strategy, as set out in paragraph 6 of this Part I and remains confident about the future prospects of the Group.

## 8. SUMMARY FINANCIAL INFORMATION

The table below shows the summary financial information for the Group for the periods shown and in accordance with IFRS. This financial information has been extracted from the Group's financial information set out in Section B of Part III of this document.

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 September 2013 £'000</i>	<i>26 weeks ended 29 September 2012 £'000</i>
<b>Abbreviated income statement</b>				
<b>Revenue</b>	29,141	146,817	81,484	71,625
Operating profit before exceptional items	(7,101)	7,129	5,679	2,841
Exceptional items	14,611	(1,257)	(1,750)	(740)
<b>Operating profit</b>	7,510	5,872	3,929	2,101
Profit before taxation	7,257	4,806	3,794	1,492
Taxation	(1,333)	(1,177)	(1,187)	(340)
<b>Profit for the period</b>	5,924	3,629	2,607	1,152
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Key metrics</b>				
EBITDA (after exceptionals)	7,802	7,815	4,984	3,003
EBITDA (before exceptionals)	(6,809)	9,072	6,734	3,743
Cash & cash equivalents	9,601	8,446	11,283	8,367
Borrowings (current & non-current)	(15,065)	(6,023)	(438)	(10,565)

## 9. DETAILS OF THE PLACING

The Placing comprises an offer of 20,007,260 Sale Shares to be sold by the Selling Shareholder for an aggregate amount of £40,014,520 (gross of expenses).

Pursuant to the Underwriting Agreement, Investec has, on behalf of the Selling Shareholder, conditionally agreed to use its reasonable endeavours to procure placees for the Sale Shares at the Placing Price, or otherwise to subscribe for such shares itself.

The Placing is conditional of Admission becoming effective and the Underwriting Agreement otherwise becoming unconditional in all other respects by 20 November 2013, or such later date (being no later than 31 December 2013) as the Company, Investec and the Selling Shareholder may agree.

None of the Sale Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. On Admission, the Company will have a market capitalisation of approximately £100,036,300.

Further details of the terms of the Underwriting Agreement are set out in paragraph 14.1 of Part IV of this document.

## 10. REASONS FOR PLACING AND ADMISSION

The funds raised pursuant to the Placing will enable the Selling Shareholder to partially realise its investment in the Company.

The Placing and Admission is also expected to provide a liquid public market for the Ordinary Shares and will enable the Company, if required, to access the capital markets to support its strategic objectives as suitable opportunities arise.

Following Admission, the Ordinary Shares will be admitted to trading on AIM.



The Directors intend that, if and when appropriate in the future, they will apply for the Ordinary Shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities.

## 11. SELLING SHAREHOLDER

The Selling Shareholder has, pursuant to the terms of the Underwriting Agreement, agreed to sell the Sale Shares at the Placing Price, raising gross proceeds for the Selling Shareholder of £40,014,520 in aggregate before their expenses. The Company will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholder. The Selling Shareholder's business address is 5, rue Guillaume Kroll, L-1882 Luxembourg.

The Company is Controlled by the Selling Shareholder. Immediately following Admission and the Placing, the Selling Shareholder's interest in the Company will be 52.40 per cent. of the Ordinary Shares in issue of the Company. The Selling Shareholder is an affiliate of Sun Capital US. Further details about Sun Capital US are set out in paragraph 2 of Part I of this document.

The Company entered into a Relationship Agreement with, *inter alia*, the Selling Shareholder and Investec which is summarised in paragraph 14.4 of Part IV of this document. This agreement has been entered into to ensure that, following Admission, all transactions and relationships between the Company and the Selling Shareholder are at arm's length and on normal commercial terms. Tim Mason will be appointed by the Selling Shareholder as a Shareholder Director and chairman of the Board and Benjamin Buerstedde will be appointed by the Selling Shareholder as an Observer. The Observer will not be a director.

The Takeover Code is issued and administered by the Panel. The Company is subject to the Takeover Code and therefore all Shareholders are entitled to the protection afforded by it. Further details are set out at paragraphs 7.4 and 16 of Part IV of this document.

## 12. DIRECTORS AND SENIOR MANAGERS

### **Directors:**

**Tim Mason**, *Non-Executive Chairman (Non-Independent)*, age 56

Tim Mason, has over 30 years of retail experience with Tesco, with 25 years spent in senior management roles (including 17 at board level). Prior to joining Sun European Partners, LLP in 2013 as Managing Director of Operations, Mr Mason served from 1995 to 2012 as a board director at Tesco and since 2010 as Deputy CEO of Tesco Plc and Chief Marketing Officer and also as President and CEO of Fresh & Easy Neighbourhood Market Inc. since its founding in 2007. Mr Mason has also served on the boards of Tesco.com Limited, Tesco personal finance companies, Tesco mobile companies, Capital Radio PLC, Business in the Community, The Anderson Business School (UCLA) and the Marshal School of Business (USC). Mr Mason received his Bachelor of Arts degree from Warwick University.

**Beth Butterwick**, *Chief Executive Officer*, age 48

Appointed to the Group in 2011, Beth Butterwick led the turnaround of the new business strategy. This enabled the acquisition of the business and assets of Bonmarché by Bonmarché Limited, an affiliate of Sun Capital US, in January 2012. With over 21 years' retail experience, Mrs Butterwick started her career as a graduate trainee with Marks & Spencer where she progressed to Head of Buying for the Accessories Group. She joined Gap Inc. as part of the senior management team responsible for the European expansion. Following this, Mrs Butterwick was appointed as Commercial Director at MS Mode BV, based in the Netherlands, where she played a key part in its performance improvement, prior to its acquisition by Excellent Retail Brands Group in January 2011.

**Stephen Alldridge**, *Chief Financial Officer*, age 47

Stephen Alldridge joined the Group in 2003. Previously he was a financial controller at The Peacocks Group plc, which he joined in 1996. He qualified as a Chartered Accountant with Ernst & Young, following which he spent two further years with the firm working as a corporate recovery manager.

**Ishbel Macpherson**, *Senior Independent Non-Executive Director*, age 53

Ishbel Macpherson has eight years of experience acting as a non-executive director on the boards of various companies in different sectors, including pharmaceuticals, retail and support services. Prior to acting as a non-executive director, Ms Macpherson worked in the finance sector, as Head of UK Emerging Companies Corporate Finance at Dresdner Kleinwort Wasserstein between 1999 and 2005, Head of Smaller Companies, Corporate Finance at Hoare Govett between 1994 and 1999, and as Director of Corporate Finance at BZW between 1989 and 1994. Ms Macpherson received an MA in French and Italian from the University of Edinburgh in 1983.

**John Coleman**, *Independent Non-Executive Director*, age 61

John Coleman has 14 years of experience acting as a non-executive director on the boards of various companies in different sectors, including builders merchants, travel/leisure and retail, including the value fashion retail segment. As well as acting as a non-executive director, Mr Coleman worked as CEO of House of Fraser between 1996 and 2006 and as CEO of Texas Homecare and Ladbrokes between 1993 and 1995. Before that he was Managing Director of Dorothy Perkins from 1991 to 1993, Managing Director of Top Man and Top Shop from 1990 to 1991 and Managing Director of Top Shop from 1986 to 1990, all at the Burton Group. Mr Coleman is a qualified accountant and received a BAcc, in Accountancy and Economics from the University of Glasgow in 1974.

**Senior Managers:**

**Caroline Cotton**, *Buying Director*, age 54

Caroline Cotton joined the Group in October 2011 and heads up the Buying and Design function of the Group and is responsible for supplier relations and compliance. Previously, she spent eight years at AIS, followed by ten years at Kaleidoscope, two years at Adams and eleven years at M&Co.

**Jeffrey Bee**, *Merchandise Director*, age 51

Jeffrey Bee joined the Group in January 2013 as a permanent director (prior to which, he was an interim director from June 2012). Mr Bee heads up the Merchandise function of the Group and takes responsibility for the levels of stock the Group maintains, pricing and the product mix. Previously, he spent twelve years at Next, three years at Matalan and ten years as a consultant to companies such as Marks & Spencer, Dixons Group, Faith and Republic.

**Mark Pickersgill**, *Retail Director*, age 52

Mark Pickersgill joined the Group in August 2008 to head up retail operations, store portfolio and store design and visual merchandising for the Group. Previously, he spent four years at C&A, six years at Top Shop, two years at Next, three years at Gymboree and seven years at Peacocks.

**Sean Emmett**, *Multi-Channel & Marketing Director*, age 51

Sean Emmett joined the Group in June 2013 to head up the marketing function of the Group, including taking responsibility for marketing via the internet, catalogues and TV shopping channels. Previously, he spent twenty years at Next, three years at Marks & Spencer and two and a half years at Jessops.

**Code on share dealings**

On Admission, the Company will adopt a share dealing code consistent with Rule 21 of the AIM Rules and the terms of the Model Code to regulate dealings in the Ordinary Shares by the Directors and any other applicable employees.

**13. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS**

Pursuant to the Lock-In and Orderly Market Deeds:

- the Selling Shareholder has agreed for a period of six months from Admission that, subject to certain exceptions, it will not dispose of Ordinary Shares held by it except with the prior written consent of Investec, such consent is not to be unreasonably withheld or delayed. In addition, the Selling Shareholder has agreed for a period of fifteen months from Admission, not to trade any Ordinary Shares except through Investec; and



- the Directors and Senior Managers who hold Ordinary Shares have each agreed for a period of twelve months from Admission that, subject to certain exceptions, they will not dispose of Ordinary Shares held by them except with the prior written consent of Investec, such consent is not to be unreasonably withheld or delayed. In addition, the Directors and Senior Managers who hold Ordinary Shares have each agreed that for a period of eighteen months from Admission not to trade any Ordinary Shares except through Investec.

The Lock-In and Orderly Market Deeds are entered into for the purposes of preserving an orderly market in the Ordinary Shares after Admission. Further details of these arrangements are set out in paragraph 14.2 of Part IV of this document.

#### **14. CORPORATE GOVERNANCE**

The Directors recognise the importance of sound corporate governance and confirm that, following Admission, they intend to comply with the recommendations in the QCA Guidelines, which have become a widely recognised benchmark for corporate governance of smaller quoted companies, particularly AIM companies. The Board also proposes to follow, as far as practicable and to the extent appropriate for a company of its nature and size, the UK Corporate Governance Code.

Following Admission, the Board will meet between eight and 12 times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. It has established the Audit Committee and the Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. Ishbel Macpherson has been appointed as the Senior Independent Director. Due to the size of the Group, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a committee.

##### ***Audit Committee***

The Audit Committee will be chaired by Ishbel Macpherson and its other member is John Coleman, both of whom are independent. Tim Mason, the Company's chairman, will attend committee meetings as an observer. The Audit Committee is expected to meet formally at least three times a year and otherwise as required. It will have the responsibility for ensuring that the financial performance of the Group is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

##### ***Remuneration Committee***

The Remuneration Committee will be chaired by John Coleman and its other member is Ishbel Macpherson, both of whom are independent. Tim Mason, the Company's chairman, will attend committee meetings as an observer. The Remuneration Committee is expected to meet not less than twice a year and otherwise as required. It has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's chief executive, chairman, and the Executive Directors, the Company secretary, the Senior Managers and such other members of the executive management as it is designated to consider. The Remuneration Committee will also have responsibility for determining (within the terms of the Group's policy and in consultation with the chairman of the Board and/or the chief executive officer) the total individual remuneration package for each Director, the Company secretary and the Senior Managers (including bonuses, incentive payments and share options or other share awards). The remuneration of Non-Executive Directors will be a matter for the chairman and Executive Directors of the Board. No Director or manager will be allowed to partake in any discussions as to their own remuneration.

#### **15. DIVIDEND POLICY**

The Board intends to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Company.

Based on the above expectations the Directors intend that the Company will pay an interim dividend and a final dividend to be announced at the time of the interim and preliminary results in approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. It is expected that the first dividend payment, to be announced with the final results for the 52 weeks ending 31 March 2014, will be pro-rated from Admission to 31 March 2014.

The Board may revise the Company's dividend policy from time to time in line with the actual results of the Company.

## 16. EMPLOYEE SHARE AND INCENTIVE SCHEMES

The Company has also implemented several schemes to incentivise its Directors, Senior Managers and employees:

- **The JSOP** – Under the JSOP, executive directors and employees may acquire Ordinary Shares jointly with the trustees of the Bonmarché Employee Benefit Trust. The trustees of the EBT are independent professional trustees resident in Jersey. Further details of the JSOP and the number of Ordinary Shares which will be jointly held under the JSOP immediately following Admission are set out in paragraph 6.1 of Part IV of this document;
- **Share vesting arrangements** – The Executive Directors and certain Senior Managers hold certain Existing Ordinary Shares which they acquired before Admission pursuant to a share incentive arrangement under which the Selling Shareholder permitted participants to acquire B Ordinary Shares, B1 Ordinary Shares and B2 Ordinary Shares in the Company (which shares will be re-designated as Ordinary Shares upon Admission). There are no performance criteria relating to these arrangements, but there were vesting provisions in the Company's pre-Admission articles of association under which the shares would vest annually as to 20 per cent. commencing on the later of: (i) 20 January 2012; and (ii) the date on which the relevant Executive Director or Senior Manager commenced employment with the Group provided the relevant individual is still employed within the Group on the relevant vesting date. With effect from Admission, these vesting provisions will not be in the Articles, but the Executive Directors and Senior Managers have each entered into a Restricted Share Agreement with the Company and the EBT pursuant to which they have agreed that these vesting arrangements will continue to apply to the Ordinary Shares held by them following Admission. Further details of these agreements are set out in paragraph 6.2 of Part IV of this document. These Ordinary Shares will also be subject to the Lock-In and Orderly Market Deeds described in paragraph 14.2 of Part IV;
- **Annual bonus scheme** – The Executive Directors and Senior Managers, retail regional managers and key commercial and operational staff (including buyers, marketing and logistics managers) are members of an annual bonus scheme, based on achievement of an annual EBITDA target; and
- **Customer service incentive schemes** – Store employees participate in incentive schemes arrangements based on customer service and which are measured via mystery shopper visits as well as additional incentive arrangements put in place to enhance employee performance during peak trading periods.

## 17. CREST

CREST is a computerised paperless share transfer and settlement system which allows shares to be held in electronic, rather than paper, form in accordance with CREST Regulations. Securities issued by non-UK registered companies cannot be held or transferred in the CREST system.

Application will be made for the Ordinary Shares to be admitted to AIM. Admission is expected to take place and dealings in the Ordinary Shares to commence, at 8.00 a.m. (London time) on 20 November 2013. Where placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first class post within ten working days of Admission. No temporary documents of title will be issued. Pending receipt of definitive share certificates in respect of the Sale Shares (other than in respect of those shares settled through CREST), transfers will be certified against the register of members of the Company.

## **18. TAXATION**

Information regarding taxation is set out in paragraph 10 of Part IV of this document. That information is intended only as a general guide to the current tax position in the UK. **Any investor who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than the UK, should consult his or her own independent professional adviser without delay.**

## **19. RISK FACTORS**

Your attention is drawn to the risk factors set out in Part II of this document and to the sub-heading entitled “Forward Looking Statements” in the “Important Information” section on pages 5 to 6 of this document. In addition to all other information set out in this document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

## **20. ADDITIONAL INFORMATION**

You should read the whole of this document and not just rely on the information contained in this Part I. Your attention is drawn to the information set out in Parts II to IV (inclusive) of this document which contains further information on the Group.

## PART II

### RISK FACTORS

*An investment in the Ordinary Shares involves a high degree of risk. The risks and uncertainties below are those that the Directors and the Company consider to be material. Investors should carefully consider the following information about these risks, together with the information contained elsewhere in this document, before deciding to buy any Ordinary Shares. Each of these risks could have a material adverse effect on the Group's business, financial condition, results of operation, future prospects or the trading price of the Ordinary Shares, and investors could lose all or part of their investment. The Group has described the risks and uncertainties that it believes are material, but these risks and uncertainties may not be the only ones the Group faces. Additional risks and uncertainties relating to the Group that are not currently known to it, or that it currently deems immaterial, may also have an adverse effect on its business, financial condition, results of operations and future prospects. If this occurs, the trading price of the Ordinary Shares may decline, and investors could lose all or part of their investment.*

*The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, financial condition, results of operation, future prospects or the trading price of the Ordinary Shares. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.*

#### **RISKS RELATING TO THE GROUP AND ITS BUSINESS**

##### ***A credible competitor could focus on the Group's target market***

The Group operates generally in an industry which is exceptionally competitive. However, the Directors believe that no competitor competes directly with the Group in its target market; selling affordable, quality womenswear and accessories in a wide range of sizes to women over 50 years old. The Group's closest competitors are horizontal competitors present in the UK, being the main geographical market in which the Group conducts its business. Such competitors include local, national and global retailers, online retailers and local independent retailers. The Directors believe that whilst the Group has adopted a strategy which differentiates it from its closest competitors, the Group's business, results, operations and financial condition could be materially adversely affected by the actions of its closest competitors or a new competitor entering the market (including their marketing strategies and product development) if any such competitors decided to focus solely on the Group's target market.

In addition, the UK market is, on a comparative basis, a free, open and fair market. This being the case, new domestic and foreign clothing retailers continually enter this market resulting in increasing competition. Such competitors may operate from foreign jurisdictions that inherently have lower variable and fixed costs in comparison to the Group which may result in a pricing advantage. This may affect how the Group currently benchmarks its products against its closest competitors. Therefore, competition from new entrants may lead to operating on less favourable margins on certain items of merchandise. The inability of the Group to maintain its competitiveness may have a material adverse effect upon the Group's financial condition, operations and business prospects.

##### ***Failure to identify consumer demands could impact on the Group's revenues and profits as well as the goodwill of the business***

If the Group fails to identify and react to the fashion and clothing preferences of the consumers in its target market, this could result in lower sales, higher mark downs to reduce excess inventories, lower profits and would impact the Group's customer goodwill and brand image negatively.

##### ***The Group's business is subject to the risk of extreme or unseasonal weather conditions***

Whilst the Group's business is less seasonal than many other retailers, the Directors believe that given the age demographic of the Group's target market and its customers' attitude and/or sensitivity to changes in weather which affect when they shop and what they buy, the Group's results may be adversely affected by periods of abnormal, severe or unseasonal weather conditions. Prolonged unseasonal weather conditions

such as extended periods of excessive snow and ice in winter may therefore have a material adverse effect on the Group's business, operating profit and overall financial condition.

***The Group may not be able to retain its Key Personnel***

The Directors believe that the Group's employees are its most important asset. The Group's Executive Directors and Senior Managers (together, the "Key Personnel") have in depth knowledge of the Group, Bonmarché's brands, products and target markets, and the women's fashion industry generally. The Group views such knowledge as specialised and extensive and it will therefore be critical to leverage this following Admission. As such, the Directors believe that the retention of its Key Personnel as well as the recruitment of future personnel with similar attributes must be viewed as a high priority. The departure of Key Personnel or future personnel with similar attributes may have a material adverse effect upon the Group's financial condition, operations and business prospects and therefore, could delay or alter any strategy that the Group may wish to implement.

***As a high street retailer, the Group is subject to general reputational risks***

The maintenance of a clothing retailer's brand and reputation is vital to the success of its business. Being a business interacting with public consumers, the Group could potentially be subject to complaints and disputes arising from a wide range of sources, some of which may include customers, former employees or suppliers. Such disputes and litigation may concern the disclosure of information from the Group's customer database, product liability, injury, safety, health, environment, nuisance and negligence claims. Even if such claims are successfully defended, this does not necessarily mean there will be no material adverse effect on the Group's reputation and brand. In particular, the Group purchased products from one of the factories involved in the Bangladesh factory collapse of April 2013 and whilst this has not impacted the Group's reputation to date, as the Group has been liaising and working with the relevant authorities to provide assistance, there is no assurance that this or future events will not have an impact upon the Group's reputation and brand.

***The Group's products are predominantly manufactured overseas***

The Group's merchandise is principally manufactured in markets outside the United Kingdom, including China, Hong Kong, Sri Lanka and Bangladesh. While the Group requires its manufacturers to operate in accordance with applicable laws and regulations, it is ultimately beyond the Group's control to ensure that all of its manufacturers will comply with all laws and regulations. This being the case, the Group could be potentially exposed to adverse publicity directly or indirectly resulting from the actions or inactions of one its manufacturers or suppliers which, amongst other things, may devalue the Group's brand and reputation, detract from day to day operation of the business and the retention and recruitment of employees and Key Personnel, or cause a material adverse effect upon the Group's financial condition, operations and business prospects.

Whilst the Group maintains processes to ensure compliance, it is also subject to the risks associated with international trade, particularly those risks which are common in the manufacturing and import of goods from developing countries, including:

- the imposition of taxes or other charges on imports;
- compliance with, and changes to, import restrictions and regulations; and
- exposure to different legal standards and the burden of complying with a variety of foreign laws and changing foreign government policies.

The Group's imported goods are subject to customs duties. If customs duties were to increase substantially, it could harm the Group's profitability. The UK and countries in which the Group's goods are manufactured could impose new quotas, duties, tariffs or other restrictions, or adversely adjust prevailing quota, duty or tariff levels, any of which could have a material adverse effect on the Group's business, operating profit or overall financial condition to the extent such costs cannot be passed on to customers.

The Group is also subject to more general risks associated with conducting business in developing countries, including:

- expropriation or nationalisation of the assets of foreign manufacturers or suppliers;

- political instabilities and unrest, international hostilities and war on terrorism;
- changes to foreign government regulation, political unrest, work stoppages, shipment disruption or delays; and
- changes to economic conditions in the countries in which the Group's manufacturers are located.

If any of these risks were to affect the Group's ability to source goods, it could affect the Group's business, profit and overall financial condition.

***Relationships with the Group's employees may break down or the Group may be subject to litigation***

The Group is also reliant on its employees as well as its Key Personnel for the operation and success of the business. Should the Group be unable to recruit or adequately replace, retain and motivate suitably qualified and experienced employees, this may have a material adverse effect upon the Group's financial condition, operations and business prospects. The Directors believe that the Group has a good relationship with its employees and currently, the Group's employees are not represented by any union. However, should this change, then the Directors cannot guarantee that negotiation surrounding the terms and conditions of employment relating to its employees will not escalate to strikes or other forms of industrial action. In addition to the Group's approximate 1,700 full-time equivalent employees, as at 28 September 2013, the Group also engaged approximately 170 temporary retail staff and approximately 40 agency workers in logistics so the Group is, to an extent, dependant upon there being a supply of affordable temporary workers to cover peaks in trade and long term absences and maternity leave.

The Group is currently defending a claim from 19 former employees in Northern Ireland who were made redundant following a restructuring of the Group's operations in February 2012. The Group's position is that it complied with its legal obligations by treating each store as a separate establishment when determining whether collective redundancy consultation was required. However, the judge in this case has now referred to the ECJ on the question of whether the UK has correctly implemented the European Union directive in relation to collective redundancy consultation and a decision is unlikely until early 2015.

The Group's solicitors with conduct of the claim and leading counsel are both of the view that the Group is in a strong position to defend the claim and that it is unlikely that the ECJ will decide that the UK's implementation of the directive is wrong, particularly given that this has been established law for many years. In the event that the ECJ decision is not favourable for the Group, solicitors with conduct of the claim estimate the likely liability to be around £200,000 and provision has been made in the accounts for this.

In circumstances where compensation is awarded to the 19 employees, there is a very remote possibility that other employees who were made redundant in the same exercise either within Northern Ireland, or potentially across the whole UK, could apply to be allowed to bring similar claims on the basis that they were also part of the same 'establishment'. The Group's solicitors advise that the Group would be well placed to resist such claims on the basis that they have been filed several years after the 3 month time limit for doing so and that they should not be allowed to proceed. In the worst case scenario of the tribunal allowing such claims to proceed and all claims being successful, the potential liability to the Group in relation these claims could be approximately £2 million, however, for the reasons outlined above, the Group's solicitors are of the view that this is highly unlikely, and accordingly, no provision has been made for this in the Group's accounts.

***Relationships with the Group's suppliers may break down and/or the Group may not be able to contract with its suppliers on favourable terms and/or such supplier terms may be uncertain***

The Group enjoys good relationships with a wide range of suppliers and is not overly reliant on any one supplier and could source its products from elsewhere. Notwithstanding this, there is still potential for the Group to be exposed to adverse operational and financial constraints should there be a deterioration with a number of its key suppliers. Termination costs and/or other costs associated with renegotiating supplier contracts (e.g. legal costs) may have a material adverse effect upon the Group's financial condition, operations and business prospects. Additionally, the Group may be pressured into accepting terms and conditions less favourable than would otherwise be the case if a deterioration with the Group's existing suppliers had not occurred.

The terms on which the Group has contracted with certain suppliers have differed over time and therefore such contracts are not always on the Group's standard terms. In some cases, the supplier contracts contain



broad indemnities in favour of the supplier or with the supplier having a low liability threshold or with the Group not being afforded protections that would typically be expected. Although the Group has a large number of suppliers and thus the value of each supplier contract is relatively low, a claim against or by the Group under such contracts could have a material adverse effect upon the Group's financial condition, operations and business prospects.

In addition, the terms on which the Group has contracted with some of its suppliers have been relatively informal and at times, unclear. Some of these supplier contracts and/or relationships are unclear/uncertain either because through its course of dealings, the Group has simply been conducting business on the supplier's standard terms and conditions or where there was a written contract, the terms of that contract have now expired, and it is not always clear on what basis the relationship is on-going or whether the relationship has, in fact, been terminated. To the extent that the terms of these contracts are unclear they may not be enforceable in all respects in accordance with the Group's understanding of such terms. To mitigate any risk of dispute with counterparties, the Group intends to seek to agree more detailed and precise contractual terms as part of its renewal negotiations in the ordinary course, but there can be no assurance that such negotiations will be successful.

### ***There are risks associated with the Group's leased properties***

The Group currently operates from 265 stores throughout the UK. Pursuant to the terms of the Acquisition Agreement, further details of which can be found at paragraph 14.7 of Part IV of this document, Bonmarché Limited was granted a licence in its favour to occupy certain properties and the right to renegotiate new leases or variations of existing leases with relevant landlords. Bonmarché Limited renegotiated substantially all of these leases on improved terms that were, in the Director's belief, in line with market rents at the time. The Directors recognise that, when such leases expire, the rent payable will be re-negotiated in accordance with current market rates and this could lead to an increase in the overall rent payable by the Group. Furthermore, as a large number of the Group's leases were negotiated as part of the purchase of the business from Peacocks, approximately 30 per cent. of the Group's leases will expire in 2017. The expiry of these leases may mean the Group faces a substantial increase in its leasing costs in 2017 if market rents have increased and/or the Group may have to source alternative premises. Finally, some of the Group's leased stores contain typical periodic reviews which fall at different times, the majority of which are upward-only adjustments and/or escalations. Any increase in the rent payable on the store leases may materially affect the Group's financial condition, operations and business prospects.

The Group is, to differing degrees, under an obligation in the leases to keep the properties in good and substantial repair and condition together with an obligation to reinstate any alterations made. Despite any rolling maintenance programme, the Directors expect that the properties will not be in the full state of repair and condition required by the repairing obligations under the leases and accordingly there will be dilapidations liabilities for the Group's account. In addition, depending on the extent and nature of the works and the property, the cost of removal of alterations and reinstatement of previous works can be significant on vacation of stores. Any such major remedial works to bring the properties into full repair or to reinstate alterations may materially affect the Group's financial condition, operations and business prospects.

From a health and safety perspective, asbestos has been identified in some of the Group's properties. The Group has contracted asbestos management to a third party provider. Asbestos surveys and management plans are in place and remedial works, which are generally understood to be minor in nature, are undertaken as and when necessary. Should any major remedial works be required in the future to remove asbestos from any of the Group's leased stores, these will have a disruptive impact on the financial condition, operations and business of that particular leased store.

### ***The Group currently depends entirely upon a single distribution centre***

The Group's office in Wakefield (the "Wakefield Premises") is the Group's single distribution centre and the Group is therefore entirely dependent in the short term on the continued efficient operation of the existing distribution centre. Any disruption to the efficient operation of the Wakefield Premises may therefore have an adverse effect upon the Group's financial condition, operations and business prospects. The Wakefield Premises may suffer prolonged power or equipment failures, failures in its IT systems or networks or damage from fires, floods, other disasters or other unforeseen events which may not be covered by or may be in excess of its insurance coverage. Damage resulting from any of these events may take considerable time to repair. A prolonged period before rectification could have an adverse effect upon the Group's financial

condition, operations and business prospects. Moreover, the complete destruction of the Wakefield Premises through a single catastrophic event would have an adverse impact on the Group's financial condition, operations and business prospects for a significant period of time. Should the Group decide to open a new distribution centre as a result of any of the above events occurring, it could not be guaranteed that it could operate such premises with the same degree of efficiency or at the same cost as the Wakefield Premises.

***The Group is dependent upon the proper functioning of its IT systems***

The Group's IT systems are interlinked and contain certain interdependencies. As such, the failure of one may affect the efficiency and functions of the Group's operations (particularly with respect to its online selling distribution network). The performance of the Group's IT systems are dependant, in part, on the efficient and uninterrupted operation of third parties (e.g. the internet). The use of such software is subject to, amongst other things, the terms and conditions of various licences.

The Group's strategy includes investing in its online delivery systems and upgrading its payment collection facilities (e.g. upgrading tills and EPOS facilities at the Group's stores) as well as its IT systems generally (e.g. such as Cognos, a financial budgeting and forecasting system). The inability to implement these elements of the Group's strategy may have a material adverse effect upon the Group's financial condition, operations and business prospects.

***The Group is exposed to currency risk in purchasing products overseas***

As noted above, the Group primarily contracts with manufacturers who are located outside the United Kingdom. This results in the Group being subject to fluctuations in currency and exchange rates. A substantial proportion of the Group's products are paid for in US\$ (which amounted to \$68 (£43) million in the 52 weeks ended 30 March 2013). Given that the Group's sales and operations are approximately all in the United Kingdom, the Group reports its consolidated financial results in pounds sterling. Exchange rates between pounds sterling and the currency of each of its overseas suppliers may significantly fluctuate in the future. Although the Group does hedge its foreign currency purchases, fluctuations between these exchange rates may still either benefit or adversely affect the Group's financial position.

***The Group may not be able to protect its intellectual property rights and the Group may infringe the intellectual property rights of others***

The Group's trademarks, designs and other intellectual property rights are central to the value of the Group's brands and are, in the main, registered in the markets and territories in which its business operates. Third parties may in the future try to challenge the ownership of and/or validity of the Group's intellectual property. The Group may not always be successful in securing protection for its intellectual property rights. There can be no guarantee that current or future actions of the Group will not result in litigation. The womenswear market is subject to claims both with and without merit. Defence and settlement costs can be substantial, even with respect to claims which are without merit. The Group may need to resort to litigation in the future (as it has on occasions in the past) to enforce its intellectual property rights. Any litigation could result in substantial costs and a diversion of resources. Conversely, while the Directors take all appropriate and necessary precautions, they cannot guarantee that any action or inaction by the Group may not inadvertently infringe the intellectual property rights of others. The Group has been subject to such complaints from third parties in the past. The Group's failure to protect and enforce its intellectual property rights or to infringe the intellectual property rights of others could have a material adverse impact upon the Group's financial condition, operations and business prospects.

***One of the Group's sub-brands is reliant upon its relationship with David Emanuel***

The Group has an exclusive contractual relationship with fashion designer David Emanuel which will come to an end in March 2016. The Group's clothing lines bearing Mr Emanuel's name are a component of the Group's overall brand and presence in the sub-segments of the Group's target market. If Mr Emanuel were to cease providing the Group with his services, its financial condition, results of operations and business prospects could be adversely affected. In addition, a decline in the popularity of the clothing line bearing Mr Emanuel's name could also have an adverse effect upon the Group's financial condition, operations and business prospects.



***The Group is subject to the potential influence of a significant shareholder***

Upon Admission and following the Placing, the Selling Shareholder will continue to legally and beneficially own approximately 52.40 per cent. of the Ordinary Shares. The Selling Shareholder is an affiliate of Sun Capital US, further details of which are at paragraph 2 of Part I of this document. As a result, the Selling Shareholder could exercise significant influence over matters requiring shareholder approval, which, amongst other things, could delay or prevent an outside party from acquiring or merging with the Group thereby potentially reducing the market price of the Ordinary Shares. The Company has entered into a Relationship Agreement with the Selling Shareholder which regulates their relationship after Admission and the terms of which are set out in paragraph 14.4 of Part IV of this document. Details of other related party agreements between the Group and the Selling Shareholder and other Sun entities are set out in paragraph 9 of Part IV of this document.

***Ordinary Shares may be sold by the Selling Shareholder, Executive Directors and Senior Managers once the lock-in periods have expired***

As noted in paragraph 13 of Part I and paragraph 14.2 of Part IV, the Selling Shareholder will be restricted from selling its Ordinary Shares for a period of six months following Admission and the Executive Directors and Senior Managers will be restricted from selling their Ordinary Shares for a period of twelve months following Admission, without Investec's prior written consent, not to be withheld or delayed. On the expiry of the relevant lock-in periods, the Executive Directors and Senior Managers will be required to trade in the Ordinary Shares through Investec for a further six months and the Selling Shareholder will be required to trade in the Ordinary Shares through Investec, for a further nine months, in each case for the purposes of preserving an orderly market in the Ordinary Shares. Thereafter, these Shareholders will be permitted to sell their respective Ordinary Shares freely. Any such sale(s) could devalue of the price of the Ordinary Shares by increasing the supply offered to AIM and/or decreasing general market confidence in the Company.

**RISKS RELATING TO THE INDUSTRY**

***Macroeconomic conditions in the United Kingdom may change***

The Group's financial performance and position are impacted by macroeconomic factors such as real disposable income, unemployment rates, inflation, availability of credit, consumer confidence, consumer perceptions of market conditions and changes in fiscal and monetary policy. In the 52 weeks ended 30 March 2013, approximately all of the Group's revenue was generated in or derived from the UK. This being the case, a deterioration in the performance of the UK economy would adversely affect the Group's financial condition, operations and business prospects. In selling mostly discretionary items, the effects of a general slowdown in the UK economy may be more severe than for companies in other industries. Of particular significance in the UK has been severe difficulties experienced since 2008 in the global financial system resulting in unpredictable levels of liquidity. Fiscal policy since that time has resulted in the prevention of another systematic failure, however, periods of volatility and disruption in the equity and debt markets cannot be ruled out. Such risks directly or indirectly relating to or otherwise associated with prolonged economic uncertainty are outside the control of the Group.

***The Group may be adversely affected by changes to laws and regulations***

The Group's business operations are affected by various UK statutes, regulations and laws. This being the case, the Group must comply with laws applicable to businesses generally, including, but not limited to, laws affecting health and safety, environmental, fire, tax, protection of customer and employee data, landlord and tenant, consumer safety, quality and liability, transportation, labour and employment practices (including pensions) and competition. For example, changes to statutory minimum pension requirements, known as auto-enrolment, for employers in the United Kingdom were introduced with effect from October 2013. Employers are now required to provide for certain employees a "qualifying pension scheme" into which the employer makes a contribution on the employee's behalf. Approximately 2,500 employees of the Group are not currently members of a pension arrangement to which the Group contributes. There can be no assurance that the Group will not incur costs or liabilities in connection with these or other such compliance requirements. Future developments in laws and regulations concerning the Group's business both in UK and potentially overseas may have a material adverse effect on the Group's financial condition, operations and business prospects.

This document has been prepared on the basis of current legislation, regulation, rules, rates and practices and the Directors interpretation thereof. Such interpretation may not be correct and it is always possible that these may change. Any change in legislation, regulation, rules rates and practices and in tax status or tax residence of the Group may have an adverse effect on the returns available on an investment in the Company.

***The Group may be affected by other factors outside its control***

The Group's business operations rely to a significant degree on the efficient and uninterrupted operation of its various information technology and communications systems and those of third parties. The Group's head office serves as the primary site for all of its computer and communications systems. Any significant event at this office such as a break down of plant or equipment, an accident, serious flooding or fire damage, computer malfunctions and viruses, vandalism, theft or security breaches, could significantly affect the Group's ability to manage its information technology and communications systems which in turn, could have a material adverse effect upon the Group's financial condition, operations and business prospects. While the Group has in place an IT disaster recovery plan, a disaster or disruption in or failure of the infrastructure that supports the Group's business could have a material adverse effect upon its ability to continue to operate its business without interruption. Increases in energy or other commodity costs, including electricity, gas and fuel, may adversely impact the Group's financial condition, operations and business prospects due to consequential increases in operating costs.

**RISKS RELATING TO ADMISSION**

***Investments in AIM companies may attract a high degree of risk***

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to the Company. The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

***There may be no liquidity in the Ordinary Shares or the price of the Ordinary Shares may be volatile***

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of the Group's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Group and others of which are extraneous. These factors could include the performance of the Group's business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions.

The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an

investment in the Company than in a company whose shares are quoted on the Official List. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

***The Company may not be able to pay dividends***

The Company's ability to pay dividends to Shareholders will, in part, depend on the availability and upstream payment of cash to the Company from other members of the Group. The Company's principal operating subsidiary is Bonmarché Limited and therefore, the Company does not directly receive cash generated by the underlying revenues of the Group. The ability of intermediate group entities to make upstream cash distributions or loans to each other and the Company is generally subject to applicable laws, such as entities' organisational documents, maintenance of capital rules, the terms of financing arrangements, accounting treatment and other factors. Applicable laws may require such entities to comply with, amongst other things, restrictions on the amounts distributed by way of dividend, capital and reserve maintenance principles or require them to obtain shareholder or court approval. Applicable laws may also restrict the making of any distribution, loan or other payment or the timing thereof. There can be no assurance that the Group will be able to comply with any laws or requirements regulating upstream cash distributions, loans or payments directly or indirectly to the Company.

***Additional requirements for capital may not be met successfully***

Additional financing may be required for the future of the Group to fully exploit opportunities available and generally to pursue its growth strategy. Such funding requirements may be met by way of the issue of further Ordinary Shares, which may be on a non pre-emptive basis. No assurances can be given that the Group will be able to raise the additional finance that it may require for its anticipated future operations and generally to pursue its growth strategy. Revenues, taxes, capital expenditures and operating expenses are all factors which may have an impact on the amount of additional capital that may be required. Any additional equity financing may have a dilutive effect and debt financing, if available, may involve restrictions on financing and operating activities.

***Future sales or issues of Ordinary Shares could depress the market price of the Ordinary Shares***

Sales, or the possibility of sales, by the Selling Shareholder or the Company of a substantial number of Ordinary Shares following the Placing could have an adverse effect on the trading prices of the Ordinary Shares or could affect the Company's ability to obtain further capital through an offering of equity securities. Subsequent equity offerings may also reduce the percentage ownership of shares by the Company's existing Shareholders and of investors in the Placing.

The Company may issue additional shares or other securities convertible or exchangeable into Ordinary Shares. Any such issue could result in an effective dilution for investors purchasing the Ordinary Shares in the Placing and/or adversely affect the market price of the Ordinary Shares.

**THE RISKS NOTED ABOVE DO NOT NECESSARILY COMPRISE ALL RISKS FACED BY THE GROUP AND ARE NOT INTENDED TO BE PRESENTED IN ANY ASSUMED ORDER OF PRIORITY.**

**PART III**  
**FINANCIAL INFORMATION ON THE GROUP**  
**SECTION A – ACCOUNTANTS’ REPORT**



The Directors  
Bonmarché Holdings plc (the “**Company**”)  
Jubilee Way  
Grange Moor  
Wakefield  
WF4 4SJ

Investec Bank plc (the ‘**Nominated Adviser**’)  
2 Gresham Street  
London  
EC2V 7QP

15 November 2013

Dear Sirs

**Bonmarché Holdings plc**

We report on the financial information set out in Section B of Part III of the Admission Document dated 15 November 2013 of Bonmarché Holdings plc (the “**Company**”) (“**the Admission Document**”) as at and for the 79 days ended 31 March 2012, the 52 week period ended 30 March 2013, the 26 week period ended 29 September 2012 and the 26 week period ended 28 September 2013 (the “**IFRS Financial Information Table**”). The IFRS Financial Information Table has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 1 of the IFRS Financial Information Table. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange Plc (the “**AIM Rules**”) and is given for the purpose of complying with that Schedule and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the IFRS Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the IFRS Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

*PricewaterhouseCoopers LLP, Benson House, 33 Wellington Street, Leeds LS1 4JP*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the IFRS Financial Information Table gives, for the purposes of the Admission Document dated 15 November 2013, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP  
Chartered Accountants

## SECTION B – IFRS FINANCIAL INFORMATION

### Consolidated income statement

		<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
	<i>Note</i>				
Revenue		29,141	146,817	81,484	71,625
Cost of sales		<u>(30,544)</u>	<u>(116,550)</u>	<u>(61,582)</u>	<u>(57,496)</u>
<b>Gross (loss)/profit</b>		(1,403)	30,267	19,902	14,129
Administrative expenses		(6,725)	(17,513)	(12,598)	(8,560)
Distribution costs		(1,370)	(6,882)	(3,375)	(3,468)
Gain on bargain purchase	32	<u>17,008</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Operating profit</b>	5, 6	7,510	5,872	3,929	2,101
Analysed as:					
Operating (loss)/profit before exceptional items		(7,101)	7,129	5,679	2,841
Exceptional items	4	14,611	(1,257)	(1,750)	(740)
Finance income	7	–	1	–	–
Finance costs	7	<u>(253)</u>	<u>(1,067)</u>	<u>(135)</u>	<u>(609)</u>
<b>Profit before taxation</b>		7,257	4,806	3,794	1,492
Taxation	8	<u>(1,333)</u>	<u>(1,177)</u>	<u>(1,187)</u>	<u>(340)</u>
<b>Profit for the period</b>		<u>5,924</u>	<u>3,629</u>	<u>2,607</u>	<u>1,152</u>
<b>Earnings per share</b>					
Basic	9	£44.86	£27.33	£19.51	£8.72
Diluted	9	<u>£44.86</u>	<u>£26.76</u>	<u>£18.62</u>	<u>£8.72</u>

**Consolidated statement of comprehensive income/(loss)**

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
<b>Profit for the period</b>	5,924	3,629	2,607	1,152
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges				
– fair value movements in other comprehensive income	–	1,955	(2,921)	–
– transfer from cash flow hedge reserve to profit or loss	–	(359)	(942)	–
Tax on cash flow hedges	–	(383)	905	–
	<hr/>	<hr/>	<hr/>	<hr/>
Other comprehensive income/(loss) for the period	–	1,213	(2,958)	–
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the period attributable to owners of the parent company</b>	<u>5,924</u>	<u>4,842</u>	<u>(351)</u>	<u>1,152</u>

## Consolidated balance sheet

		<i>As at</i> <i>31 March</i> <i>2012</i> <i>£'000</i>	<i>As at</i> <i>30 March</i> <i>2013</i> <i>£'000</i>	<i>As at</i> <i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>As at</i> <i>29 Sept</i> <i>2012</i> <i>£'000</i>
	<i>Note</i>				
<b>Non-current assets</b>					
Property, plant and equipment	11	6,286	7,173	8,411	6,267
Intangible assets	12	2,957	2,834	2,684	2,892
Deferred tax asset	20	–	–	54	–
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total non-current assets</b>		9,243	10,007	11,149	9,159
<b>Current assets</b>					
Inventories	13	16,947	20,183	19,748	19,310
Trade and other receivables	14	14,912	13,452	9,731	10,586
Cash and cash equivalents	15	9,601	8,446	11,283	8,367
Derivative financial instruments	19	–	1,596	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total current assets</b>		41,460	43,677	40,762	38,263
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>		50,703	53,684	51,911	47,422
<b>Current liabilities</b>					
Trade and other payables	16	(27,491)	(30,017)	(33,672)	(25,950)
Borrowings	18	(9,505)	(6,023)	(81)	(10,565)
Current taxation payable		(1,348)	(2,680)	(1,269)	(1,780)
Derivative financial instruments	19	–	–	(2,267)	–
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total current liabilities</b>		(38,344)	(38,720)	(37,289)	(38,295)
<b>Non-current liabilities</b>					
Other payables	17	–	(2,815)	(3,362)	(1,268)
Borrowings	18	(5,560)	–	(357)	–
Deferred tax liabilities	20	(743)	(971)	–	(651)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total non-current liabilities</b>		(6,303)	(3,786)	(3,719)	(1,919)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>		(44,647)	(42,506)	(41,008)	(40,214)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>		6,056	11,178	10,903	7,208
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Equity attributable to owners of the parent company</b>					
Ordinary shares	22	132	132	132	132
Other reserves	23	–	–	–	–
Cashflow hedge reserve		–	1,213	(1,745)	–
Retained earnings		5,924	9,833	12,516	7,076
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total equity</b>		6,056	11,178	10,903	7,208
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## Consolidated statements of changes in equity

<b>Attributable to owners of the parent company</b>	<i>Note</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Other reserves £'000</i>	<i>Cashflow hedge reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
Balance at incorporation		–	–	–	–	–	–
Issue of share capital	22	132	–	–	–	–	132
Profit for the period		–	–	–	–	5,924	5,924
<b>Balance at 31 March 2012</b>	22	<u>132</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,924</u>	<u>6,056</u>
Balance at 1 April 2012		132	–	–	–	5,924	6,056
Profit for the period		–	–	–	–	1,152	1,152
<b>Balance at 29 September 2012</b>	22	<u>132</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,076</u>	<u>7,208</u>
Balance at 1 April 2012		132	–	–	–	5,924	6,056
Profit for the year		–	–	–	–	3,629	3,629
Other comprehensive income for the year		–	–	–	1,213	–	1,213
Share-based payment expense	21	–	–	–	–	280	280
<b>Balance at 30 March 2013</b>	22	<u>132</u>	<u>–</u>	<u>–</u>	<u>1,213</u>	<u>9,833</u>	<u>11,178</u>
Balance at 31 March 2013		132	–	–	1,213	9,833	11,178
Profit for the period		–	–	–	–	2,607	2,607
Other comprehensive loss for the period		–	–	–	(2,958)	–	(2,958)
Share-based payment expense	21	–	–	–	–	131	131
Payment of shares	22	–	230	–	–	–	230
Share premium cancellation	22	–	(230)	–	–	230	–
Equity dividends paid	10	–	–	–	–	(285)	(285)
<b>Balance at 28 September 2013</b>	22	<u>132</u>	<u>–</u>	<u>–</u>	<u>(1,745)</u>	<u>12,516</u>	<u>10,903</u>

## Consolidated statements of cash flows

		<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
<b>Cash flows from operating activities</b>					
Cash generated from operations	24	6,522	10,411	13,526	4,749
Interest paid		–	(660)	(795)	(165)
Income tax paid		–	–	(2,719)	–
		<u>6,522</u>	<u>9,751</u>	<u>10,012</u>	<u>4,584</u>
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment		(21)	(1,192)	(1,454)	(723)
Purchases of intangible assets		–	(210)	(281)	(95)
Acquisition consideration	32	(11,899)	–	–	–
Interest received		–	1	–	–
		<u>(11,920)</u>	<u>(1,401)</u>	<u>(1,735)</u>	<u>(818)</u>
<b>Cash flows from financing activities</b>					
Proceeds from issuance of ordinary shares	22	132	–	230	–
Dividends paid	10	–	–	(285)	–
Proceeds from loan from a parent company		9,890	–	–	–
Repayments of loan from a parent company		–	(4,505)	(5,385)	–
Repayments of borrowings		–	(5,000)	–	(5,000)
Receipt of borrowings		5,000	–	–	–
Payment of borrowing arrangement fees		(23)	–	–	–
		<u>14,999</u>	<u>(9,505)</u>	<u>(5,440)</u>	<u>(5,000)</u>
Net increase/(decrease) in cash and cash equivalents		9,601	(1,155)	2,837	(1,234)
Cash and cash equivalents at beginning of the period		–	9,601	8,446	9,601
<b>Cash and cash equivalents at the end of the period</b>		<u>9,601</u>	<u>8,446</u>	<u>11,283</u>	<u>8,367</u>

## Notes to the financial information

### 1. Statement of accounting policies

#### ***Basis of accounting***

##### *General information*

Bonmarché Holdings plc (the “**Company**”) is a company incorporated and domiciled in the UK. The address of the registered office is Jubilee Way, Grange Moor, Wakefield, West Yorkshire WF4 4SJ. The Company and its subsidiaries’ (collectively, the “**Group**”) principal activity is as a multi-channel retailer of high quality, affordable womenswear and accessories.

The registered number of the Company is 08638336.

Bonmarché Holdings plc is a wholly owned subsidiary of BM Holdings S.A.R.L., the previous majority shareholder of Bluebird UK Topco Limited, and was incorporated on 5 August 2013. On 26 September 2013, Bonmarché Holdings plc acquired the share capital of Bluebird UK Topco Limited from BM Holdings S.A.R.L. in a share-for-share exchange from its existing shareholders. The transaction between related parties under a capital reorganisation does not fall into the scope of IFRS 3 ‘Business combinations’ and as such no goodwill resulted, and no new fair value measurements were recorded. As permitted, the consolidated financial information has been prepared on the same basis as under Bluebird UK Topco Limited, in particular the assumption that the Company existed for the entire period presented, and that the consolidated financial statements of the Group are presented using the values from the consolidated financial statements of the previous holding company, except that it reflects the equity structure (issued share capital) of Bonmarché Holdings plc. Other amounts in equity are those from the consolidated financial statements of the previous holding company, Bluebird UK Topco Limited.

Bluebird UK Topco Limited was incorporated on 13 January 2012 to acquire the business and assets of “Bonmarché”, which was formerly a division of The Peacock Group plc. The acquisition was completed on 20 January 2012, since when, the Group’s sole activity was as a multi-channel retailer of high quality, affordable, womenswear and accessories, for the 50+ year-old. On acquisition it traded from 395 high street stores in the UK (of which 392 were acquired), and a web site.

The ultimate parent undertaking of Bonmarché Holdings plc is Sun Capital Partners Management V, L.P.

#### ***Basis of preparation***

This consolidated historical financial information presents the financial track record of the Group for the period from the inception of the Group through the incorporation of Bluebird UK Topco Limited on 13 January 2012 to 31 March 2012, the year to 30 March 2013 and the six month interim periods ended 28 September 2013 and 29 September 2012, and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange plc. This special purpose consolidated historical financial information has been prepared in accordance with the requirements of the AIM Rules for Companies, in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”), and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

The Group’s deemed transition date to IFRS is 13 January 2012, which was also the date of incorporation of Bluebird UK Topco Limited. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has not applied any of the optional exemptions under IFRS 1. This is the first financial information prepared in accordance with IFRS.

This consolidated historical financial information is prepared in accordance with IFRS on a going concern basis and under the historical cost convention, as modified for the revaluation of certain financial instruments. The consolidated historical financial information is presented in thousands of pounds sterling (“**£’000**”), except when otherwise indicated.

The preparation of consolidated historical financial information in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on

management's reasonable knowledge of the amount, event or actions, actual results may differ from those estimates.

**Basis of consolidation**

The consolidated historical financial information includes the Company and all its subsidiary undertakings. The results of subsidiaries sold or acquired are included in the consolidated income statement up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation. Intra-Group transactions and balances are eliminated also. All acquisitions are accounted for using the acquisition method. Consistent accounting policies have been applied across the Group and across all periods.

**Revenue**

*(a) Sales of goods – retail*

The Group operates a chain of retail outlets for selling clothing products. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash, credit card or gift voucher.

It is the Group's policy to sell its products to the retail customer with a right to return within 28 days.

*(b) Internet revenue*

Revenue from the provision of the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of delivery. Transactions are settled by credit or payment card.

Accumulated experience is used to estimate and provide for the return of goods from retail and internet customers at the time of sale.

**Intangible assets**

Intangible assets purchased separately are capitalised at cost and amortised on a straight-line basis over their useful economic life. Intangible assets acquired through a business combination are initially measured at fair value and amortised on a straight-line basis over their useful economic lives. Fair value of the acquired intangible assets is calculated based on the estimated future benefits the Group will derive from the asset acquired, discounted at an appropriate Weighted Average Cost of Capital (WACC). The useful economic lives used are as follows:

Software	–	5 years
Brands	–	10 years
Customer relationships	–	10 years

**Property, plant and equipment**

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

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of the property, plant and equipment over their anticipated useful lives at the rates shown below on a straight line basis:

Leasehold buildings	over the lease term
Plant and equipment	4 – 10 years
Computer equipment	2 – 5 years
Motor vehicles	4 – 5 years

Residual value is calculated on prices prevailing at the date of acquisition. The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

### ***Impairment of assets***

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels, being individual stores for the Group, for which there are separately identifiable cash flows (CGUs) discounted at an appropriate rate.

### ***Inventory***

Inventory is stated at the lower of cost and net realisable value and consists of finished goods held for resale. Cost is based on purchase price using the weighted average cost method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolescence, markdown and shrinkage.

### ***Taxation***

The sum of the current and deferred tax represents the sum of the tax currently payable and deferred tax along with any adjustments to prior year estimates.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax liabilities are recorded in accordance with applicable tax laws and interpretations at the time financial statements are approved. Where the relevant law or interpretation is uncertain, tax credits are only recognised when clearance has been obtained from the relevant authorities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### ***Retirement benefits***

The Group contributes to employees' individual pension arrangements through a defined contribution group personal pension plan, which is administered separately from the Group. The amount charged against profits represents the contribution payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The Group has no further payment obligations once the contributions have been paid.

### ***Trade receivables***

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### **Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide clearer understanding of the underlying financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

### **Share-based payments**

The Company has issued equity-settled share-based payments to certain employees, which are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over each vesting period, based on the Company's estimate of shares that will eventually vest, taking into account non-market performance and service conditions. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of any such revisions in the consolidated income statement with a corresponding adjustment to equity.

Fair value is measured using an independent, third party valuation of a minority shareholding, taking into account the current and future earnings potential of the Company and the potential for returns from any future sale or flotation of the business.

### **Financial instruments**

The Group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in cost of sales in the income statement.

Amounts accumulated in equity are reclassified to cost of sales in the income statement in the periods when the hedged item affects profit or loss, when the hedged transaction occurs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in equity is retained in equity and is recognised when the forecast transaction is ultimately recognised in cost of sales in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cashflows of hedged items.

### ***Business combinations***

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate of fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as occurred.

### ***Gain on bargain purchase***

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking, the difference is treated as a gain on bargain purchase and recognised immediately in the income statement.

### ***Foreign currency translation***

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate. Translations in foreign currency are translated at the agreed contractual rate ruling at the date of the transaction. All differences on exchange are taken to the income statement.

### ***Leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are recognised as deferred income and released over the life of the lease term on a straight line basis.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

### ***Segmental reporting***

Operating segments are reported in a manner consistent with the internal reporting to the Board of Directors which has been identified as the chief operating decision maker. The Board of Directors consists of the Executive Directors and the Non-Executive Directors.

### ***New standards, amendments and interpretations***

The Group is yet to fully assess the impact of the following new standards, amendments and interpretations on its consolidated financial information.

#### *Standards, amendments and interpretations effective and adopted by the Group:*

All IFRSs that are effective for the year ending 29 March 2014 have been applied in this consolidated historical financial information. Standards and interpretations that are effective for the first time for financial year ending 29 March 2014 do not have an impact on the Group apart from IFRS 13 'Fair value measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair measurement and disclosure requirements for use across IFRS. There was no impact on the Group other than a small increase in disclosure.



*Standards, amendments and interpretations which are not effective or early adopted by the Group:*

Standards, amendments and interpretations in issue but not yet effective are not expected to have a material effect on the financial statements of the Group in future years.

*Critical accounting estimates and assumptions*

In the process of applying the Group's accounting policies, management has to make judgements and estimates that have a significant effect on the amounts recognised in the consolidated historical financial information. These estimates and judgements are evaluated periodically and are based on historical experience and other factors, including expectations of future events. The most critical of these accounting estimates and judgements are noted below:

*Carrying value of intangibles.* In assessing the initial carrying value of the intangibles, the Group was required to make key judgements, in particular, in the valuation of the brand. The valuation's key judgements included estimates in future cash flows and appropriate discount rates.

*Gift voucher liabilities.* The Group recognises deferred income in relation to amounts received for gift vouchers issued. Revenue for gift vouchers is recognised on the basis of historical redemptions so that revenue is recorded in the same period in which the gift voucher sale occurs. These balances are reviewed regularly and updated to reflect management's latest best estimates. However, actual redemptions could vary from those estimates. A movement of one per cent. in the accounting policy percentage applied to redemptions would result in a £107,000 change in the liability at 28 September 2013.

*Inventory provisions.* Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values, and is consequently a source of estimation uncertainty. The provision is determined based on the choice of an appropriate percentage in accordance with the ageing of stock which is categorised by season. A one per cent. change in percentage to the most recent season would result in a £8,000 change in the provision at 28 September 2013.

## **2. Financial risk management**

### ***Financial risk factors***

The Group's principal financial instruments comprise cash, borrowings, finance leases and trade payables. The main purpose of these financial instruments is to provide funds for the Group's operations. The Group also enters into forward currency contracts to manage the exchange rate risk arising from the Group's operations. The principal risks arising from financial instruments that the Group is exposed to are exchange rate, credit and liquidity risks.

#### *(a) Exchange rate risk*

Exchange rate risk is the risk that changes in foreign exchange rates will impact the Group's income or value of its financial instruments. Exchange rate risk arises as it pays overseas suppliers for purchases of inventory in foreign currency, principally US Dollars. The Group does not engage in speculative currency trading and only secures the currency it requires to meet its trading liabilities.

#### *(b) Credit risk*

Credit risk arises from the Group's cash balances held with counterparties and trade receivables defaulting. All cash balances are held with reputable banks and the Board monitors its exposure to counterparty risk on an on-going basis.

Trade receivables are typically low value transactions with subtenants and issuers of third party shopping vouchers and accordingly, the concentration of credit risk is limited. Receivable balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

#### *(c) Liquidity risk*

The Group is exposed to the risk that it is unable to meet its debt obligations as they fall due. The Group finances its operations with cash, borrowings, finance leases and committed undrawn bank credit facilities.

Management monitors rolling forecasts of cash and undrawn borrowing facilities on the basis of expected cash flows. As at 28 September 2013, the Group's exposure to liquidity risk was low as all borrowings had been repaid.

*(d) Capital management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the level of net debt. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Short and long-term cashflow forecasts are regularly produced to enable the Group to monitor its net debt and maintain sufficient liquidity headroom.

### 3. Segment information

Management has determined the operating segments based on the operating reports reviewed by the Directors that are used to assess both performance and strategic decisions. Management has identified that the Directors are the chief operating decision makers in accordance with the requirements of IFRS 8 'Segmental reporting'.

The Directors consider the business to be one main type of business generating revenue: retail of womenswear and accessories. Sales through the internet channel do not currently meet the qualitative threshold required by IFRS 8 for reportable segments.

All segment revenue, profit before taxation, assets and liabilities are attributable to the principal activity of the Group and other related services. All revenues are generated in the United Kingdom.

### 4. Exceptional items

Items that are material either because of the size or nature, or that are non-recurring, are considered as exceptional items and are presented within the line items to which they best relate. For all periods presented, the exceptional items as detailed below have been included in cost of sales, administrative expenses and gain on bargain purchase in the income statement.

Exceptional items comprise:

		<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Gain on bargain purchase (note 32)	a	17,008	–	–	–
Acquisition and restructure costs	b	(1,677)	(978)	–	(564)
Redundancy costs	c	(720)	(279)	–	(176)
Management fees	d	–	–	(1,500)	–
Ann Harvey brand	e	–	–	(250)	–
		<u>14,611</u>	<u>(1,257)</u>	<u>(1,750)</u>	<u>(740)</u>

*Footnotes*

- a Bluebird UK Topco Limited acquired the business and assets of Bonmarché, which was formerly a division of The Peacock Group plc on 20 January 2012. The net assets of Bonmarché, at acquisition were in excess of the total consideration. IFRS requires the gain on bargain purchase to be immediately recognised in the income statement. See note 32 for further information.
- b Acquisition and restructure costs incurred on the acquisition of Bonmarché and the subsequent restructure of the store estate. Costs included legal and professional fees paid in relation to formalising lease agreements with landlords.

- c Subsequent to the acquisition of Bonmarché, the Group carried out an evaluation of the store estate which resulted in 120 store closures and related redundancy costs.
- d Management fees paid to a parent undertaking, Sun Capital Partners Management V, L.L.C., in relation to the early termination of a management fee arrangement due to the anticipated admission of the Group to AIM.
- e On 30 April 2013, the Group purchased the intellectual property assets including the brand, trademark and associated registrations of 'Ann Harvey'. The Group is not currently trading under any brand acquired and, accordingly, no value has been attributed to the intangible asset acquired and the carrying value has therefore been fully impaired.

## 5a Operating profit

		<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
	<i>Note</i>				
Share-based payment charge	6a	–	280	131	–
Depreciation of property, plant and equipment	11	231	1,610	874	742
Amortisation of intangible assets	12	61	333	181	160
Operating lease payments					
– plant and machinery		76	463	254	231
– land and buildings		6,077	17,186	8,444	8,584
– Rent free amortisation		–	(1,154)	(642)	(408)
Foreign exchange (gains)/losses		(57)	171	(226)	(65)

## 5b Auditors' remuneration

During the year the Group obtained the following services from the Company's auditor:

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Fees payable to Company's auditors for the audit of the parent and subsidiary accounts	10	50	–	–
	<u>10</u>	<u>50</u>	<u>–</u>	<u>–</u>

## 6a Employee benefit expense

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Wages and salaries	7,468	29,321	15,043	14,740
Social security costs	388	1,728	867	858
Other pension costs	112	551	344	282
Share-based payments charge	–	280	131	–
<b>Employee benefit expenses included in operating profit</b>	<u>7,968</u>	<u>31,880</u>	<u>16,385</u>	<u>15,880</u>

## 6b Average number of people employed

The average monthly number of full time equivalent ('FTE') people (including Executive Directors) employed by the Group during the year was:

	<i>79 days ended 31 March 2012 FTE</i>	<i>52 weeks ended 30 March 2013 FTE</i>	<i>26 weeks ended 28 Sept 2013 FTE</i>	<i>26 weeks ended 29 Sept 2012 FTE</i>
Stores	1,307	1,271	1,277	1,281
Administration	144	145	157	139
Distribution	267	246	238	253
	<u>1,718</u>	<u>1,662</u>	<u>1,672</u>	<u>1,673</u>

## 6c Directors' and Key Management remuneration

J D Allen, D F Finnigan, P D Daccus and M T P Gundlach received no emoluments from the Bluebird UK Topco Limited in the 79 days ended 31 March 2012, 52 weeks ended 30 March 2013, 26 weeks ended 28 September 2013 and 26 weeks ended 29 September 2012.

Key management comprises the Executive Directors and the members of the trading board. Post Admission this will also include the Non-Executive Directors. The key management compensation is as follows:

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Salaries, fees and other short-term employee benefits	95	1,552	875	731
Share-based payments	–	280	131	–
	<u>95</u>	<u>1,832</u>	<u>1,006</u>	<u>731</u>

The Director's emoluments for the Group are as follows:

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Short term employee benefits:				
B. Butterwick	25	433	208	214
S. Alldridge	16	307	130	152
Post-employment benefits:				
B. Butterwick	–	31	22	7
S. Alldridge	–	26	18	8
Total remuneration for the period:				
B. Butterwick	25	464	230	221
S. Alldridge	16	333	148	160

## 7. Finance income and costs

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
<b>Finance income</b>				
Bank interest receivable	–	1	–	–
<b>Total finance income</b>	<u>–</u>	<u>1</u>	<u>–</u>	<u>–</u>
<b>Finance costs</b>				
Interest payable on amounts owed to the parent company	198	957	135	500
Other interest payable	55	110	–	109
<b>Total finance costs</b>	<u>253</u>	<u>1,067</u>	<u>135</u>	<u>609</u>

## 8. Taxation

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Current tax:				
Current tax on profits for the period	1,348	1,332	1,307	432
<b>Total current tax</b>	<u>1,348</u>	<u>1,332</u>	<u>1,307</u>	<u>432</u>
Deferred tax:				
Origination and reversal of temporary differences	(15)	(98)	(96)	(35)
Changes in tax rate	–	(57)	(24)	(57)
<b>Total deferred tax</b>	<u>(15)</u>	<u>(155)</u>	<u>(120)</u>	<u>(92)</u>
<b>Tax expense reported in the consolidated income statement</b>	<u>1,333</u>	<u>1,177</u>	<u>1,187</u>	<u>340</u>

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

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Profit before tax	7,257	4,806	3,794	1,492
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 26%/24%/23%/24%	1,887	1,153	873	358
Tax effects of:				
– Effect of other timing differences	(69)	36	(13)	15
– Non-taxable income	(561)	–	–	–
– Expenses not deductible for tax purposes	76	45	351	24
Effects of changes in tax rate	–	(57)	(24)	(57)
<b>Tax charge</b>	<u>1,333</u>	<u>1,177</u>	<u>1,187</u>	<u>340</u>

Factors that may affect future tax charges:

In addition to the changes in rates of corporation tax disclosed above, further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21 per cent. from 1 April 2014 and to 20 per cent. from 1 April 2015. The remeasurement of deferred tax assets and liabilities using the future rates is not material to deferred tax in the balance sheet at 28 September 2013.

## 9. Earnings per share

	<i>79 days ended 31 March 2012</i>	<i>52 weeks ended 30 March 2013</i>	<i>26 weeks ended 28 Sept 2013</i>	<i>26 weeks ended 29 Sept 2012</i>
Profit attributable to "A" and "B" ordinary shareholders (£'000s)	5,924	3,629	2,607	1,152
Basic earnings per share	£44.86	£27.33	£19.51	£8.72
Diluted earnings per share	£44.86	£26.76	£18.62	£8.72

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of shares in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The weighted average number of shares is as follows:

	<i>79 days ended 31 March 2012 Number</i>	<i>52 weeks ended 30 March 2013 Number</i>	<i>26 weeks ended 28 Sept 2013 Number</i>	<i>26 weeks ended 29 Sept 2012 Number</i>
Basic weighted average	132,059	132,775	133,649	132,059
Diluted weighted average	132,059	135,641	140,009	132,059

Conditional upon and with effect immediately prior to Admission, the Existing Ordinary Shares were converted into Ordinary Shares pursuant to the resolution at paragraph 4.6 of Part IV of this document.

Illustrative basic and diluted earnings per Ordinary Share is presented in order to demonstrate the earnings attributable to the Ordinary Shares at Admission. The calculation of illustrative basic and diluted earnings per Ordinary Share is based on profit attributable to Shareholders and on 50,018,150 Ordinary Shares.

	<i>79 days ended 31 March 2012</i>	<i>52 weeks ended 30 March 2013</i>	<i>26 weeks ended 28 Sept 2013</i>	<i>26 weeks ended 29 Sept 2012</i>
Profit attributable to Shareholders (£'000)	5,924	3,629	2,607	1,152
Basic earnings per Ordinary Share	£0.12	£0.07	£0.05	£0.02
Diluted earnings per Ordinary Share	£0.12	£0.07	£0.05	£0.02
Basic weighted average number of Ordinary Shares	50,018,150	50,018,150	50,018,150	50,018,150
Diluted weighted average number of Ordinary Shares	50,018,150	50,018,150	50,018,150	50,018,150

## 10. Dividends

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Dividends paid on equity B ordinary shares	—	—	285	—

	<i>79 days ended 31 March 2012 per share</i>	<i>52 weeks ended 30 March 2013 per share</i>	<i>26 weeks ended 28 Sept 2013 per share</i>	<i>26 weeks ended 29 Sept 2012 per share</i>
Dividends paid on equity B ordinary shares	—	—	£35.85	—

## 11. Property, plant and equipment

	<i>Note</i>	<i>Leasehold land and buildings £'000</i>	<i>Plant and equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At incorporation		—	—	—	—
Acquisition	32	—	6,496	—	6,496
Additions		—	21	—	21
<b>At 31 March 2012</b>		—	6,517	—	6,517
<b>Accumulated depreciation</b>					
At incorporation		—	—	—	—
Charge for the period		—	231	—	231
<b>At 31 March 2012</b>		—	231	—	231
<b>Net book value At 31 March 2012</b>		—	6,286	—	6,286
<b>Cost</b>					
At 1 April 2012		—	6,517	—	6,517
Additions		—	723	—	723
Disposals		—	(56)	—	(56)
<b>At 29 September 2012</b>		—	7,184	—	7,184
<b>Accumulated depreciation</b>					
At 1 April 2012		—	231	—	231
Charge for the period		—	742	—	742
Disposals		—	(56)	—	(56)
<b>At 29 September 2012</b>		—	917	—	917
<b>Net book value At 29 September 2012</b>		—	6,267	—	6,267



	<i>Leasehold land and buildings £'000</i>	<i>Plant and equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>				
At 1 April 2012	–	6,517	–	6,517
Additions	558	1,915	24	2,497
Disposals	(5)	(217)	–	(222)
<b>At 30 March 2013</b>	<u>553</u>	<u>8,215</u>	<u>24</u>	<u>8,792</u>
<b>Accumulated depreciation</b>				
At 1 April 2012	–	231	–	231
Charge for the period	62	1,546	2	1,610
Disposals	(5)	(217)	–	(222)
<b>At 30 March 2013</b>	<u>57</u>	<u>1,560</u>	<u>2</u>	<u>1,619</u>
<b>Net book value At 30 March 2013</b>	<u>496</u>	<u>6,655</u>	<u>22</u>	<u>7,173</u>
<b>Cost</b>				
At 31 March 2013	553	8,215	24	8,792
Additions	46	1,612	454	2,112
Disposals	–	(22)	(22)	(44)
<b>At 28 September 2013</b>	<u>599</u>	<u>9,805</u>	<u>456</u>	<u>10,860</u>
<b>Accumulated depreciation</b>				
At 31 March 2013	57	1,560	2	1,619
Charge for the period	46	799	29	874
Disposals	–	(22)	(22)	(44)
<b>At 28 September 2013</b>	<u>103</u>	<u>2,337</u>	<u>9</u>	<u>2,449</u>
<b>Net book value At 28 September 2013</b>	<u>496</u>	<u>7,468</u>	<u>447</u>	<u>8,411</u>

Additions of fixtures and fittings include the following amounts in respect of assets not yet in use, which have not been depreciated:

	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>
<b>Fixtures and fittings not yet in use</b>	<u>–</u>	<u>1,002</u>	<u>1,291</u>	<u>–</u>

The net book value of the Group's property, plant and equipment includes the following amounts in respect of assets held under finance leases:

	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>
<b>Net book value of assets held under finance leases</b>	<u>–</u>	<u>–</u>	<u>436</u>	<u>–</u>

## 12. Intangible assets

	<i>Note</i>	<i>Software £'000</i>	<i>Brands £'000</i>	<i>Customer relationships £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At incorporation		–	–	–	–
Acquisition	32	104	2,638	276	3,018
<b>At 31 March 2012</b>		<u>104</u>	<u>2,638</u>	<u>276</u>	<u>3,018</u>
<b>Accumulated amortisation</b>					
At incorporation		–	–	–	–
Charge for the period		3	53	5	61
<b>At 31 March 2012</b>		<u>3</u>	<u>53</u>	<u>5</u>	<u>61</u>
<b>Net book value At 31 March 2012</b>		<u>101</u>	<u>2,585</u>	<u>271</u>	<u>2,957</u>
<b>Cost</b>					
At 1 April 2012		104	2,638	276	3,018
Additions		95	–	–	95
<b>At 29 September 2012</b>		<u>199</u>	<u>2,638</u>	<u>276</u>	<u>3,113</u>
<b>Accumulated amortisation</b>					
At 1 April 2012		3	53	5	61
Charge for the period		15	131	14	160
<b>At 29 September 2012</b>		<u>18</u>	<u>184</u>	<u>19</u>	<u>221</u>
<b>Net book value At 29 September 2012</b>		<u>181</u>	<u>2,454</u>	<u>257</u>	<u>2,892</u>

## 12. Intangible assets

	<i>Software</i> £'000	<i>Brands</i> £'000	<i>Customer relationships</i> £'000	<i>Total</i> £'000
<b>Cost</b>				
At 1 April 2012	104	2,638	276	3,018
Additions	210	–	–	210
<b>At 30 March 2013</b>	<u>314</u>	<u>2,638</u>	<u>276</u>	<u>3,228</u>
<b>Accumulated amortisation</b>				
At 1 April 2012	3	53	5	61
Charge for the period	43	262	28	333
<b>At 30 March 2013</b>	<u>46</u>	<u>315</u>	<u>33</u>	<u>394</u>
<b>Net book value</b>				
<b>At 30 March 2013</b>	<u>268</u>	<u>2,323</u>	<u>243</u>	<u>2,834</u>
<b>Cost</b>				
At 31 March 2013	314	2,638	276	3,228
Additions	31	250	–	281
<b>At 28 September 2013</b>	<u>345</u>	<u>2,888</u>	<u>276</u>	<u>3,509</u>
<b>Accumulated amortisation</b>				
At 31 March 2013	46	315	33	394
Charge for the period	35	132	14	181
Provision for impairment	–	250	–	250
<b>At 28 September 2013</b>	<u>81</u>	<u>697</u>	<u>47</u>	<u>825</u>
<b>Net book value</b>				
<b>At 28 September 2013</b>	<u>264</u>	<u>2,191</u>	<u>229</u>	<u>2,684</u>

## 13. Inventories

	<i>31 March</i> <i>2012</i> £'000	<i>30 March</i> <i>2013</i> £'000	<i>28 Sept</i> <i>2013</i> £'000	<i>29 Sept</i> <i>2012</i> £'000
Goods for resale	<u>16,947</u>	<u>20,183</u>	<u>19,748</u>	<u>19,310</u>

The cost of inventories recognised as an expense and included in cost of sales is as follows:

	<i>31 March</i> <i>2012</i> £'000	<i>30 March</i> <i>2013</i> £'000	<i>28 Sept</i> <i>2013</i> £'000	<i>29 Sept</i> <i>2012</i> £'000
Cost of inventories recognised as an expense	<u>13,163</u>	<u>62,420</u>	<u>34,831</u>	<u>30,610</u>

The level of write-down of inventories recognised as an expense and included in cost of sales for each period is as follows:

	<i>31 March</i> <i>2012</i> £'000	<i>30 March</i> <i>2013</i> £'000	<i>28 Sept</i> <i>2013</i> £'000	<i>29 Sept</i> <i>2012</i> £'000
Write-down of inventories recognised as an expense	<u>35</u>	<u>499</u>	<u>233</u>	<u>187</u>

#### 14. Trade and other receivables

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
<b>Current</b>				
Trade receivables	144	120	200	112
Less: provision for impairment of trade receivables	–	–	(17)	–
Trade receivables – net	144	120	183	112
Other receivables	1,303	1,030	1,031	1,363
Prepayments	13,465	12,302	8,517	9,111
<b>Trade and other receivables</b>	<u>14,912</u>	<u>13,452</u>	<u>9,731</u>	<u>10,586</u>

The carrying amount of the Group's trade and other receivables are all denominated in sterling.

As of 31 March 2012, 30 March 2013, 28 September 2013 and 29 September 2012 trade receivables that are neither past due nor impaired related to independent customers for whom there is no recent history of default.

Impaired receivables as of 28 September 2013 are individually identified and represent amounts in dispute that are 6 months overdue.

The ageing of these trade receivables is as follows:

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
Neither past due nor impaired	144	120	183	112
Impaired (over 6 months overdue)	–	–	17	–
	<u>144</u>	<u>120</u>	<u>200</u>	<u>112</u>

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

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
At beginning of period/year	–	–	–	–
Provision for receivables impairment	–	–	17	–
<b>At end of period/year</b>	<u>–</u>	<u>–</u>	<u>17</u>	<u>–</u>

Provisions are estimated based upon past default experience and the Directors' assessment of the current economic environment. The creation and release of receivables is charged/(credited) to administrative expenses in the income statement.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

Other receivables and prepayments, and accrued income, do not contain impaired assets. There is no difference between the carrying value and fair value of all trade and other receivables.

## 15. Cash and cash equivalents

	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>
Cash at bank and on hand	9,601	8,446	11,283	8,367
<b>Cash and cash equivalents</b>	<u>9,601</u>	<u>8,446</u>	<u>11,283</u>	<u>8,367</u>

## 16. Trade and other payables

	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>
<b>Current</b>				
Trade payables	16,927	18,144	20,552	15,850
Other taxes and social security	2,440	1,657	2,495	2,237
Accruals and deferred income	6,674	8,075	8,292	6,120
Rent free deferred income	–	1,261	1,252	844
Other payables	1,450	880	1,081	899
<b>Trade and other payables</b>	<u>27,491</u>	<u>30,017</u>	<u>33,672</u>	<u>25,950</u>

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is as follows:

	<i>31 March 2012 Days</i>	<i>30 March 2013 Days</i>	<i>28 Sept 2013 Days</i>	<i>29 Sept 2012 Days</i>
Average credit period for trade purchases	<u>30</u>	<u>39</u>	<u>48</u>	<u>39</u>

The Directors consider the carrying amount of trade and other payables approximates to their fair value.

## 17. Other payables

	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>
<b>Non-current</b>				
Rent free deferred income	–	2,815	3,362	1,268
<b>Other payables</b>	<u>–</u>	<u>2,815</u>	<u>3,362</u>	<u>1,268</u>

Rent free deferred income represents the value not yet recognised in the income statement in relation to rent free periods received at the beginning of certain property operating leases, as an incentive to enter into the lease. The credit arising on these rent free periods is released to the income statement on a straight line basis over the term of the lease. At 28 September 2013, the total rent free deferred income balance had an average remaining life of 56 months.

The ageing of rent free deferred income is as follows:

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
Current	–	1,261	1,252	844
Non-current	–	2,815	3,362	1,268
<b>Total rent free deferred income</b>	<u>–</u>	<u>4,076</u>	<u>4,614</u>	<u>2,112</u>

## 18. Borrowings

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
<b>Current</b>				
Bank loans	5,000	–	–	–
Amounts owed to the parent company	4,505	6,023	–	10,565
Finance leases	–	–	81	–
	<u>9,505</u>	<u>6,023</u>	<u>81</u>	<u>10,565</u>
<b>Non-current</b>				
Amounts owed to the parent company	5,560	–	–	–
Finance leases	–	–	357	–
	<u>5,560</u>	<u>–</u>	<u>357</u>	<u>–</u>
<b>Total borrowings</b>	<u>15,065</u>	<u>6,023</u>	<u>438</u>	<u>10,565</u>

The amounts owed to the parent company are analysed as follows:

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
Secured loan	9,890	5,385	–	9,890
Accrued interest	175	638	–	675
<b>Amounts owed to the parent company</b>	<u>10,065</u>	<u>6,023</u>	<u>–</u>	<u>10,565</u>

Amounts owed to the parent company related to a secured loan, which incurred interest at 10 per cent. and had a maturity date of 20 January 2017. The loan was secured over the assets of Bluebird UK Topco Limited and its subsidiary companies and was fully repaid on 27 June 2013.

Borrowings, excluding finance leases, have the following maturity profile:

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
Within one year	9,505	6,023	–	10,565
Between one and two years	5,560	–	–	–
<b>Total borrowings</b>	<u>15,065</u>	<u>6,023</u>	<u>–</u>	<u>10,565</u>

The carrying amount of borrowings approximates to their fair value.

The Group has the following undrawn borrowing facilities:

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
<b>Bank facilities</b>	–	5,000	5,000	–

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
Gross finance lease liabilities – minimum lease payments:				
– No later than 1 year	–	–	100	–
– Later than 1 year and no later than 5 years	–	–	392	–
<b>Sub-total</b>	–	–	492	–
Future finance charges on finance lease	–	–	(54)	–
<b>Present value of finance lease liabilities</b>	–	–	438	–

The maturity profile of finance lease liabilities is as follows:

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
– No later than 1 year	–	–	81	–
– Later than 1 year and no later than 5 years	–	–	357	–
	–	–	438	–

## 19. Financial instruments

	<i>31 March</i> <i>2012</i> <i>£'000</i>	<i>30 March</i> <i>2013</i> <i>£'000</i>	<i>28 Sept</i> <i>2013</i> <i>£'000</i>	<i>29 Sept</i> <i>2012</i> <i>£'000</i>
Forward foreign exchange contracts – cash flow hedge (Level 2) asset/(liability)	–	1,596	(2,267)	–
Forward foreign exchange contracts – (notional principal amount)	–	25,622	67,582	–

The Group uses forward foreign exchange contracts to hedge the foreign exchange risk from highly probable forecast stock purchases in US dollars. They are designated as cash flow hedges with fair value movements recognised directly in other comprehensive income. The amount recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item affects profit or loss. The cash flows hedged and the income statement impact is expected to occur in the next 18 months.

The valuation of all financial derivative assets and liabilities carried at fair value by the Group is based on hierarchy Level 2. Fair value hierarchy levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).



- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of forward exchange contracts has been determined based on discounted market forward currency exchange rates at the balance sheet date.

The Group's financial risk management policy is as disclosed on pages 48 to 49.

## 20. Deferred tax

	<i>31 March</i> 2012 £'000	<i>30 March</i> 2013 £'000	<i>28 Sept</i> 2013 £'000	<i>29 Sept</i> 2012 £'000
Non-current deferred tax assets	–	28	611	–
Non-current deferred tax liabilities:	(743)	(999)	(557)	(651)
<b>Net deferred tax (liabilities)/assets</b>	<u>(743)</u>	<u>(971)</u>	<u>54</u>	<u>(651)</u>

The gross movement on the net deferred tax (liability)/asset account is as follows:

	<i>31 March</i> 2012 £'000	<i>30 March</i> 2013 £'000	<i>28 Sept</i> 2013 £'000	<i>29 Sept</i> 2012 £'000
At beginning of period	–	(743)	(971)	(743)
Deferred tax liability on intangible assets acquired	32 (758)	–	–	–
Income statement credit	15	155	120	92
Tax charge/(credit) relating to components of other comprehensive income	–	(383)	905	–
<b>At end of period</b>	<u>(743)</u>	<u>(971)</u>	<u>54</u>	<u>(651)</u>

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<i>Intangible assets</i> £'000	<i>Cashflow hedges</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
At incorporation	–	–	–	–
Acquired	(758)	–	–	(758)
Credited to the income statement	15	–	–	15
<b>Balance at 31 March 2012</b>	<u>(743)</u>	<u>–</u>	<u>–</u>	<u>(743)</u>
	<i>Intangible assets</i> £'000	<i>Cashflow hedges</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
At 1 April 2012	(743)	–	–	(743)
Credited to the income statement	92	–	–	92
<b>Balance at 29 September 2012</b>	<u>(651)</u>	<u>–</u>	<u>–</u>	<u>(651)</u>

	<i>Intangible assets £'000</i>	<i>Cashflow hedges £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At 1 April 2012	(743)	–	–	(743)
Credited to the income statement	127	–	28	155
Charged to other comprehensive income	–	(383)	–	(383)
<b>Balance at 30 March 2013</b>	<b>(616)</b>	<b>(383)</b>	<b>28</b>	<b>(971)</b>

	<i>Intangible assets £'000</i>	<i>Cashflow hedges £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
At 31 March 2013	(616)	(383)	28	(971)
Credited to the income statement	59	–	61	120
Credited to other comprehensive income	–	905	–	905
<b>Balance at 28 September 2013</b>	<b>(557)</b>	<b>522</b>	<b>89</b>	<b>54</b>

## 21. Share-based payments

The Company has introduced, upon the approval of the ultimate parent company, Sun Capital Partners V, L.P., a share scheme for certain employees of the Group.

Share awards vest as follows:

- 20 per cent. of the shares vest upon the first anniversary of the commencement date (20 January 2012); and
- The remaining shares vest at a rate of 20 per cent. on each anniversary thereafter for a further 4 years.

The Company has issued non-voting 'B' Ordinary Shares and accrues the value of any distributions made by the Company over the vesting period. In addition, vesting of each employee's shares will accelerate to 100 per cent. upon a change of ownership of the Company to an independent third party (a listing transaction is not deemed to be a change of ownership), whether by means of a sale of greater than 51 per cent. ownership of the equity or assets of the Company or a merger or consolidation, provided that the consideration is primarily in cash.

7,950 'B' Ordinary Shares were issued on 18 October 2012 and 1,590 vested on 20 January 2013, being those shares vested in full on the first anniversary of the commencement date.

The aggregate of the estimated fair value of the shares granted on 18 October 2012 was £736,900. The fair value was determined by an independent third party using the Black-Scholes model. The valuation includes dividends accrued over the vesting period and takes into consideration the minority interest status, the lack of marketability and the lack of voting rights.

The number of shares not yet vested is as follows:

	31 March 2012 Number	30 March 2013 Number	28 Sept 2013 Number	29 Sept 2012 Number
Shares not yet vested	–	6,360	6,360	–
	79 days ended 31 March 2012 £'000	52 weeks ended 30 March 2013 £'000	26 weeks ended 28 Sept 2013 £'000	26 weeks ended 29 Sept 2012 £'000
<b>Charge to the income statement</b>				
Total expenses related to equity-settled share-based payment transactions	–	280	131	–

## 22. Share capital

	31 March 2012 £'000	30 March 2013 £'000	28 Sept 2013 £'000	29 Sept 2012 £'000
Allotted, called up				
132,059 'A' Ordinary Shares of £1 each	132	132	132	132
1,590 'B' Ordinary Shares of 1p each	–	–	–	–

On 10 September 2013, £230,000 outstanding on the 'B' Ordinary Shares was received and allocated to share premium. On 13 September 2013 the £230,000 share premium attributable to the 'B' Ordinary Shares was cancelled and allocated to retained earnings.

The 'A' Ordinary Shares carry voting rights. The 'B' Ordinary Shares do not carry any voting rights.

The 'A' Ordinary Shares are entitled to receive all distributions made by the Company *pro rata* based on the number of 'A' Ordinary Shares held by each holder until an amount equal to the initial amount invested into the Company has been distributed.

After the 'A' Ordinary Shareholders have received distributions equal to the amount initially invested into the Company, the 'B' Ordinary Shares are entitled to receive all distributions made by the Company *pro rata* based on the number of 'B' Ordinary Shares held by each holder until an amount equal to the amount initially invested for the 'B' Ordinary Shares has been distributed.

After the 'B' Ordinary Shareholders have received distributions equal to the amount initially invested for the Shares, all distributions made by the Company are shared by the 'A' Ordinary Shareholders and the 'B' Ordinary Shareholder *pro rata* based on the number of 'A' Ordinary Shares and 'B' Ordinary Shares held by each holder.

## 23. Other reserves

	31 March 2012 £'000	30 March 2013 £'000	28 Sept 2013 £'000	29 Sept 2012 £'000
<b>Treasury Shares</b>				
6,360 'B' Ordinary Shares of 1p each	–	–	–	–

## 24. Cash generated from operations

		<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
	<i>Note</i>				
Profit before tax		7,257	4,806	3,794	1,492
Adjustments for:					
– Depreciation	11	231	1,610	874	742
– Amortisation of intangible assets	12	61	333	181	160
– Provision for impairment of intangible assets	12	–	–	250	–
– Amortisation of deferred arrangement fees		–	–	23	–
– Gain on bargain purchase	32	(17,008)	–	–	–
– Share-based payment charge	21	–	280	131	–
– Finance costs – net	7	253	1,066	135	609
– Inventories – (increase)/decrease		(499)	(3,236)	435	(2,363)
– Trade and other receivables – (increase)/decrease/		(6,575)	1,460	3,806	4,326
– Trade and other payables – increase/(decrease)		22,802	4,092	3,897	(217)
<b>Cash generated from operations</b>		<u>6,522</u>	<u>10,411</u>	<u>13,526</u>	<u>4,749</u>

## 25. Contingencies

During the period, the Group issued letters of credit to foreign suppliers. The settlement dates on these letters of credit range from 0 to 60 days after the title of goods purchased from the suppliers have passed to the Group. The following letters of credit were outstanding after the period end:

	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>
Letters of credit	<u>–</u>	<u>1,029</u>	<u>1,174</u>	<u>392</u>

## 26. Commitments

### (a) Capital commitments

There were no capital commitments as at 31 March 2012, 30 March 2013, 29 September 2012 or 28 September 2013.

### (b) Operating lease commitments

At the balance sheet date the Group had the following future aggregate minimum lease payments under non-cancellable operating leases:

	<i>Land and buildings</i>				<i>Other</i>			
	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>
Within 1 year	8,583	15,452	15,225	12,287	243	200	216	230
Within 2 year to 5 years inclusive	29,212	45,467	41,160	39,387	441	244	233	336
After 5 years	7,899	14,349	11,946	12,235	3	–	–	–
<b>Total</b>	<u>45,694</u>	<u>75,268</u>	<u>68,331</u>	<u>63,909</u>	<u>687</u>	<u>444</u>	<u>449</u>	<u>566</u>

## 27. Pension commitments

The Group contributes to employees' individual pension arrangements through a defined contribution group personal pension plan. This is allocated through the payroll within a subsidiary company, Bonmarché Limited. The pension cost charge for the period/year represents contributions payable by the Group to the scheme:

	<i>79 days ended 31 March 2012 £'000</i>	<i>52 weeks ended 30 March 2013 £'000</i>	<i>26 weeks ended 28 Sept 2013 £'000</i>	<i>26 weeks ended 29 Sept 2012 £'000</i>
Pension cost charge for the period/year	<u>112</u>	<u>551</u>	<u>344</u>	<u>282</u>
	<i>31 March 2012 £'000</i>	<i>30 March 2013 £'000</i>	<i>28 Sept 2013 £'000</i>	<i>29 Sept 2012 £'000</i>
Pension cost accrued at period/year-end	<u>124</u>	<u>78</u>	<u>94</u>	<u>65</u>

## 28. Related parties

### (a) Loans to/from related parties

The Group had a secured loan of £9,867,941 from its immediate parent undertaking, BM Holdings S.A.R.L., a company registered in Luxembourg. The Group has repaid the following amounts at the balance sheet dates:

	31 March 2012 £'000	30 March 2013 £'000	28 Sept 2013 £'000	29 Sept 2012 £'000
Amount repaid	–	4,505	5,385	–
Amount outstanding (note 18)	10,065	6,023	–	10,565

### (b) Purchase of goods and services

Management fees have been paid to Sun Capital Partners Management V, LLC during the period/year in relation to management services provided as follows:

	79 days ended 31 March 2012 £'000	52 weeks ended 30 March 2013 £'000	26 weeks ended 28 Sept 2013 £'000	26 weeks ended 29 Sept 2012 £'000
Management fees	98	684	1,930	327

On 16 August 2013, the Company entered into a recharge agreement with Bonmarché Limited, a related party and a wholly owned subsidiary, and Bonmarché Holdings LLC, a related party and parent undertaking, regarding legal, accounting, financial and other advisory services incurred in connection with the proposed admission of the Company's shares to the AIM Market of the London Stock Exchange plc (the "**Admission**") (the "**2013 Recharge Agreement**"). The 2013 Recharge Agreement was effective from 9 May 2013 and will terminate twelve months after the date of the agreement, being 15 August 2014, unless extended by written agreement of the parties. The 2013 Recharge Agreement states that Bonmarché Holdings LLC, as the ultimate beneficiary of the professional services provided in connection with the Admission, will reimburse the Company and Bonmarché Limited for any such costs that are recharged to Bonmarché Holdings LLC.

The 2013 Recharge Agreement was amended on 31 October 2013 such that the Company and Bonmarché Limited have the right, but not the obligation, to invoice Bonmarché Holdings LLC for Admission Costs incurred between 9 May 2013 and 15 August 2014 if, and to the extent that they exceed, a total aggregate amount of £1.5 million.

Pursuant to a fee side letter dated 14 November 2013 between the Company, the Selling Shareholder and Bonmarché Holdings LLC it was agreed that the precise allocation of legal, accounting, financial and other advisory costs relating to Admission would be made in the manner set out in the invoices for such fees and would be recharged in some cases pursuant to the 2013 Recharge Agreement.

## 29. Principal subsidiaries

Name	Country of incorporation	Nature of the business	Proportion of ordinary share held
Bluebird UK Topco Limited	England & Wales	Holding company	100%
Bluebird UK Holdco Limited	England & Wales	Holding company	100%
Bonmarché Limited	England & Wales	Retail	100%
Bluebird UK Bidco 2 Limited	England & Wales	Retail – discontinued	100%

All subsidiary undertakings are included in the consolidation.

### 30. Restructure of store estate

	79 days ended 31 March 2012 £'000	52 weeks ended 30 March 2013 £'000	26 weeks ended 28 Sept 2013 £'000	26 weeks ended 29 Sept 2012 £'000
Revenue	5,706	–	–	–
Expenses	(8,057)	–	–	–
Loss before tax on restructure of store estate	(2,351)	–	–	–
<b>Loss after tax on restructure of store estate</b>	<b>(2,351)</b>	<b>–</b>	<b>–</b>	<b>–</b>

Subsequent to the acquisition of Bonmarché, the Group carried out an evaluation of the store estate which resulted in 120 store closures and related redundancy costs. The revenue and expenses shown in the table above relate to the closed stores.

### 31. Events after the reporting period

On 16 October 2013, the Company issued 1,450 'B1' Ordinary Shares of 1p each and 1,450 'B2' Ordinary Shares of 1p each to members of the trading board. The 'B1' Ordinary Shares and the 'B2' Ordinary Shares do not carry voting rights.

On 14 November 2013, the Company issued 2,774,550 'B' Ordinary Shares of 1p each, 275,888 'B1' Ordinary Shares of 1p each, and 143,550 'B2' Ordinary Shares of 1p each (of which 910 were subsequently converted into deferred shares), to the members of the trading board. The 'B', 'B1', 'B2' Ordinary Shares and deferred shares do not carry voting rights. See paragraphs 4.5 and 4.6 of Part IV of this document.

Pursuant to a revolving credit facility agreement effective from 15 November 2013 entered into between Bonmarché Limited and Barclays Bank PLC ("**Barclays**"), Barclays made available a revolving credit facility of up to £10,000,000 to be used for working capital and general business purposes of the Group. Provision of the facility is conditional upon the Admission taking place. The margin is 2.5 per cent. An arrangement fee of two per cent. is payable under the facility together with a commitment fee of 50 per cent. of margin. The facility agreement contains representations and warranties in LMA form, together with a financial covenant requiring that the ratio of net finance charges, when combined with rent or similar payments, against the EBITDA figure (adjusted to exclude rent, costs associated with maintaining the Company's listed status on AIM and exceptional costs) of the Company and its subsidiaries is not less than 1:5:1. This facility is secured by the Debenture (as defined in paragraph 14.8 of Part IV of this document) and a share charge over the shares in Bonmarché Limited.

Conditional upon and with effect immediately prior to Admission, the Existing Ordinary Shares were converted into Ordinary Shares pursuant to the resolution at paragraph 4.6 of Part IV of this document.

There have been no other post balance sheet events.

### 32. Business combinations

Bluebird UK Topco Limited was incorporated on 13 January 2012 to acquire the business and assets of "Bonmarché", which was formerly a division of The Peacock Group plc. The acquisition was completed on 20 January 2012, since when, the Group's sole activity was as a multi-channel retailer of high quality, affordable, womenswear and accessories, for the 50+ year-old. On acquisition it traded from 392 high street stores in the UK, and a web site.



The following table summarises the consideration paid to acquire the business, the fair value of assets acquired, and liabilities assumed:

	<i>Fair value £'000</i>
Cash	12,000
<b>Total consideration</b>	<u>12,000</u>
<b>Amounts of assets acquired and liabilities assumed</b>	
Cash and cash equivalents	101
Property, plant and equipment	6,496
Intangible assets	3,018
Inventory	16,448
Trade and other receivables	8,337
Other creditors and accruals	(4,634)
Deferred tax liabilities	(758)
<b>Total identifiable net assets</b>	<u>29,008</u>
Gain on bargain purchase	<u>(17,008)</u>
<b>Total consideration</b>	<u><u>12,000</u></u>

The value of all the total identifiable net assets has been arrived at using fair value accounting principles.

Acquisition costs of £931,000 have been charged to administrative expenses and included in exceptional items in the 79 days ended 31 March 2012.

The fair value of trade and other receivables is £8,337,000. The gross contracted amount for trade and other receivables due is £nil.

The business acquired assets with a fair value of £29 million for a consideration of £12 million, thereby creating a gain on bargain purchase. The transaction was made on an arm's length basis between the acquiring entity and the administrators of The Peacock Group plc (in Administration). The gain on bargain purchase is shown in administrative expenses in the income statement.

The revenue and profit or loss included in the consolidated statement of comprehensive income since acquisition is the same as that reported for the Group, since the Group only trades from the acquired Bonmarché business.

### **33. Explanation of transition to IFRS**

This is the Group's first consolidated financial information prepared in accordance with IFRSs.

The accounting policies set out on pages 43 to 48 have been applied in preparing the consolidated financial information for the period ended 31 March 2012, the 52 weeks ended 30 March 2013 and 26 week periods ended 28 September 2013 and 29 September 2012, and in the preparation of an opening IFRS balance sheet at 13 January 2012 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared with UK GAAP. An explanation of how the transition from UK GAAP to IFRSs has affected the Group's statement of financial position, consolidated income statement and consolidated statement of cash flows is set out in the following tables and notes that accompany the tables.

#### **(a) Initial elections upon adoption**

Under IFRS 1, a number of exemptions are permitted to be taken in preparing the consolidated balance sheet as at the date of transition to IFRS on 13 January 2012. No exemptions as set out in IFRS 1 have been elected.

**(b) Reconciliation of UK GAAP to IFRS**

IFRS 1 requires the Group to reconcile comprehensive income and cash flows for prior periods. The Group's first-time adoption did not have an impact on the total operating, investing or financing cash flows. The following tables represent the reconciliations from UK GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income.

**Consolidated balance sheet at 13 January 2012 (transition date)**

The Group's date of transition to IFRS is 13 January 2012, which was the date of incorporation of Bluebird UK Topco Limited. The consolidated balance sheet at incorporation was reported under UK GAAP and is the same as that reported under IFRS. The consolidated balance sheet consisted of issued ordinary share capital of £1 and other debtors of £1.

The IFRS consolidated statement of comprehensive income stated for the 52 weeks and 79 days to 30 March 2013 is further analysed into the 79 days to 31 March 2012 and 52 weeks to 30 March 2013 as follows:

	<i>79 days to 31 March 2012 £'000</i>	<i>52 weeks to 30 March 2013 £'000</i>	<i>52 weeks and 79 days to 30 March 2013 £'000</i>
Revenue	29,141	146,817	175,958
Cost of sales	<u>(30,544)</u>	<u>(116,550)</u>	<u>(147,094)</u>
<b>Gross profit</b>	(1,403)	30,267	28,864
Administrative expenses	(6,725)	(17,513)	(24,238)
Distribution costs	(1,370)	(6,882)	(8,252)
Gain on bargain purchase	17,008	–	17,008
<b>Operating profit</b>	7,510	5,872	13,382
Analysed as:			
Operating (loss)/profit before exceptional items	(7,101)	7,129	28
Exceptional items	14,611	(1,257)	13,354
Finance income	–	1	1
Finance costs	<u>(253)</u>	<u>(1,067)</u>	<u>(1,320)</u>
<b>Profit before income tax</b>	7,257	4,806	12,063
Taxation	<u>(1,333)</u>	<u>(1,177)</u>	<u>(2,510)</u>
<b>Profit for the period</b>	5,924	3,629	9,553
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
– fair value movements in other comprehensive income	–	1,955	1,955
– transfer from cash flow hedge reserve to profit or loss	–	(359)	(359)
Tax on cashflow hedges	–	(383)	(383)
Other comprehensive income for the period	<u>–</u>	<u>1,213</u>	<u>1,213</u>
<b>Total comprehensive income for the period</b>	<u><u>5,924</u></u>	<u><u>4,842</u></u>	<u><u>10,766</u></u>

**Consolidated statement of comprehensive income for the 12 months and 79 days ended 30 March 2013**

	<i>Adjustments</i>				<i>IFRS £'000</i>
	<i>UK GAAP £'000</i>	<i>Share-based payments £'000</i>	<i>Intangible assets £'000</i>	<i>Derivative Financial Instruments £'000</i>	
Revenue	175,958	–	–	–	175,958
Cost of sales	(147,094)	–	–	–	(147,094)
<b>Gross profit</b>	<b>28,864</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>28,864</b>
Administrative expenses	(22,737)	(222)	1,279	–	(24,238)
Distribution costs	(8,252)	–	–	–	(8,252)
Gain on bargain purchase	13,921	–	3,087	–	17,008
<b>Operating profit/(loss)</b>	<b>11,796</b>	<b>(222)</b>	<b>1,808</b>	<b>–</b>	<b>13,382</b>
Analysed as:					
Operating profit/(loss) before exceptional items	598	(222)	(348)	–	28
Exceptional items	11,198	–	2,156	–	13,354
Finance income	1	–	–	–	1
Finance costs	(1,320)	–	–	–	(1,320)
<b>Profit/(loss) before income tax</b>	<b>10,477</b>	<b>(222)</b>	<b>1,808</b>	<b>–</b>	<b>12,063</b>
Taxation	(2,719)	67	142	–	(2,510)
<b>Profit/(loss) for the period</b>	<b>7,758</b>	<b>(155)</b>	<b>1,950</b>	<b>–</b>	<b>9,553</b>
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss:					
Cash flow hedges					
– fair value movements in other comprehensive income	–	–	–	1,955	1,955
– transfer from cash flow hedge reserve to profit or loss	–	–	–	(359)	(359)
Tax on cashflow hedges	–	–	–	(383)	(383)
Other comprehensive income for the period	–	–	–	1,213	1,213
<b>Total comprehensive income for the period</b>	<b>7,758</b>	<b>(155)</b>	<b>1,950</b>	<b>1,213</b>	<b>10,766</b>

	<i>Adjustments</i>				
	<i>UK GAAP</i>	<i>Share-based</i>	<i>Intangible</i>	<i>Derivative</i>	<i>IFRS</i>
	<i>£'000</i>	<i>payments</i>	<i>assets</i>	<i>Financial</i>	<i>£'000</i>
		<i>£'000</i>	<i>£'000</i>	<i>Instruments</i>	
				<i>£'000</i>	
<b>Non-current assets</b>					
Property, plant and equipment	7,441	–	(268)	–	7,173
Intangible assets	–	–	2,834	–	2,834
<b>Total non-current assets</b>	<u>7,441</u>	<u>–</u>	<u>2,566</u>	<u>–</u>	<u>10,007</u>
<b>Current assets</b>					
Inventories	20,183	–	–	–	20,183
Trade and other receivables	13,452	–	–	–	13,452
Cash and cash equivalents	8,446	–	–	–	8,446
Derivative financial instruments	–	–	–	1,596	1,596
<b>Total current assets</b>	<u>42,081</u>	<u>–</u>	<u>–</u>	<u>1,596</u>	<u>43,677</u>
<b>Total assets</b>	<u>49,522</u>	<u>–</u>	<u>2,566</u>	<u>1,596</u>	<u>53,684</u>
<b>Current liabilities</b>					
Trade and other payables	(30,017)	–	–	–	(30,017)
Borrowings	(6,023)	–	–	–	(6,023)
Current taxation payable	(2,719)	39	–	–	(2,680)
<b>Total current liabilities</b>	<u>(38,759)</u>	<u>39</u>	<u>–</u>	<u>–</u>	<u>(38,720)</u>
<b>Non-current liabilities</b>					
Other payables	(2,815)	–	–	–	(2,815)
Deferred tax liabilities	–	28	(616)	(383)	(971)
<b>Total liabilities</b>	<u>(41,574)</u>	<u>67</u>	<u>(616)</u>	<u>(383)</u>	<u>(42,506)</u>
<b>Net assets</b>	<u>7,948</u>	<u>67</u>	<u>1,950</u>	<u>1,213</u>	<u>11,178</u>
<b>Equity</b>					
Ordinary shares	132	–	–	–	132
Cashflow hedge reserve	–	–	–	1,213	1,213
Retained earnings	7,816	67	1,950	–	9,833
<b>Total equity</b>	<u>7,948</u>	<u>67</u>	<u>1,950</u>	<u>1,213</u>	<u>11,178</u>

## **Adjustments**

### **Share-based payments (IFRS 2)**

The Company operates a share-based incentive scheme for certain employees of the Group. The accounting for these share-based payments is the same under UK GAAP as under IFRS. However, on transition to IFRS, the Directors revisited the fair value. The impact of the revaluation was to increase the fair value and accordingly, increase the income statement charge for the period 31 March 2013 by £222,000. A deferred tax credit resulting from the charge has also been recognised in the income statement in accordance with IFRS 2.

### **Recognition of intangible assets (IFRS 3)**

Under UK GAAP, intangible assets are only recognised if they are capable of being disposed of separately, without disposing of the business and consequently were not recognised on acquisition. The criteria for recognition of intangible assets under IFRS 3 do not require the asset to be separable. As a consequence, intangible assets arising on the acquisition of the Bonmarché business were reassessed under IFRS 3 and a brand name and customer database recognised. The acquisition balance sheet has been adjusted to reflect the recognition of these assets and associated deferred tax liabilities. The resulting amortisation charge and associated taxation credit has been recognised in the income statement.

**Derivative financial instruments (IAS 32 and IAS 39)**

The Group's derivative financial instruments comprise of foreign exchange forward contracts purchased to hedge future foreign currency payment to suppliers. Under UK GAAP, foreign currency derivatives are not recognised on the balance sheet where FRS 26 is not voluntarily applied. The adoption of IAS 32 has resulted in the recognition of the derivatives at fair value in the balance sheet of the Group. Under IAS 39 derivatives that qualify for cashflow hedging are recognised at fair value on the balance sheet with corresponding movement in value deferred to equity. A corresponding deferred taxation liability has also been recognised on the balance sheet relating to cashflow hedges, with the movement in balance also deferred to equity.

## PART IV

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Directors, whose names appear on page 3 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

#### 2. THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales with registered number 8638336 on 5 August 2013 as a private company limited by shares under the name Bonmarche Holdings Limited. On 1 November 2013, the Company was re registered as a public limited company with the name Bonmarche Holdings plc and prints its name as Bonmarché Holdings plc. The Company is a holding company and the Group trades under the name “Bonmarché”.
- 2.2 The principal legislation under which the Company operates and the Ordinary Shares will be created is the Act and regulations made under the Act. The liability of the Company’s members is limited.
- 2.3 The Company is domiciled in the United Kingdom. The registered office and principal place of business of the Company is at Jubilee Way, Grange Moor, Wakefield, West Yorkshire WF4 4SJ (telephone number +44 (0)1924 700100).
- 2.4 Part I of this document sets out the important events in the development of the Company’s business.

#### 3. SUBSIDIARIES

The Company is the holding company of the Group. The following table contains details of the Company’s principal subsidiaries:

<i>Company name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Percentage ownership</i>
Bluebird UK Topco Limited	Holding company	England & Wales	100 per cent.
Bluebird UK Holdco Limited	Holding company	England & Wales	100 per cent.
Bonmarché Limited	Trading company	England & Wales	100 per cent.
Bluebird UK Bidco 2 Limited	Trading company – discontinued	England & Wales	100 per cent.

#### 4. SHARE CAPITAL

- 4.1 The authorised share capital of the Company is unlimited. Set out below are details of the issued share capital of the Company: (i) as at the date of this document; and (ii) as it will be immediately following Admission:

	<i>As at the date of this document</i>		<i>Following Admission</i>	
	<i>Number</i>	<i>Nominal value (£)</i>	<i>Number</i>	<i>Nominal value (£)</i>
Issued A Ordinary Shares	132,059	132,059.00	nil	nil
Issued B Ordinary Shares	7,950	79.50	nil	nil
Issued B1 Ordinary Shares	1,450	14.50	nil	nil
Issued B2 Ordinary Shares	1,450	14.50	nil	nil
Ordinary Shares	nil	nil	50,018,150	500,181.50

- 4.2 On incorporation, the Company’s issued share capital was one ordinary share of £1.

4.3 The following changes to the issued share capital of the Company have taken place since incorporation:

4.3.1 by a written resolution dated 26 September 2013, the one issued and authorised ordinary share of £1 was converted into one A Ordinary Share;

4.3.2 on 26 September 2013, the Company issued a further 66,029,499 A Ordinary Shares to the Selling Shareholder and a further 3,975,000 B Ordinary Shares, in aggregate, to Beth Butterwick, Stephen Alldridge, Caroline Cotton and Mark Pickergill in each case in exchange for their shares in Bluebird UK Topco Limited pursuant to the Share Exchange Agreement, further details of which can be found in paragraph 14.6 of this Part IV;

4.3.3 on 26 September 2013, the Company undertook a capital reduction pursuant to section 641 of the Act and cancelled 65,897,441 A Ordinary Shares and 3,697,050 B Ordinary Shares and credited the aggregate sum of £65,937,111.50 to the Company's distributable reserves. Immediately following the capital reduction the Company had in issue 132,059 A Ordinary Shares and 7,950 B Ordinary Shares; and

4.3.4 on 16 October 2013, the Company issued the following shares to two of the Senior Managers as follows: 1,450 B1 Ordinary Shares to Jeffrey Bee and 1,450 B2 Ordinary Shares to Sean Emmett.

4.4 As the allotments of Ordinary Shares described in paragraph 4.3.2 of this Part IV were made for non-cash consideration, more than ten per cent. of the issued share capital of the Company as at the date of this document has been paid for in assets other than cash.

4.5 The following is a reconciliation of the number of issued Existing Ordinary Shares from the date of incorporation of the Company to 14 November 2013, being the last practicable date prior to the date of this document:

<i>Date</i>	<i>Description</i>	<i>Total Issued Existing Ordinary Shares</i>
5 August 2013	Balance on incorporation	1 ordinary share of £1
26 September 2013	Conversion of 1 ordinary share of £1 into 1 A Ordinary Share	1 A Ordinary Share
26 September 2013	Issue of A Ordinary Shares and B Ordinary Shares pursuant to a share for share exchange for shares in Bluebird UK Topco Limited	66,029,250 A Ordinary Shares and 3,975,000 B Ordinary Shares
26 September 2013	Capital reduction by cancelling 65,897,441 A Ordinary Shares and 3,967,050 B Ordinary Shares	132,059 A Ordinary Shares, and 7,950 B Ordinary Shares
16 October 2013	Issue of B1 Ordinary Shares and B2 Ordinary Shares to certain Senior Managers	132,059 A Ordinary Shares, 7,950 B Ordinary Shares, 1,450 B1 Ordinary Shares and 1,450 B2 Ordinary Shares
14 November 2013	Balance	132,059 A Ordinary Shares, 7,950 B Ordinary Shares, 1,450 B1 Ordinary Shares and 1,450 B2 Ordinary Shares

4.6 By a resolution of the Board passed on 14 November 2013 it was resolved conditionally upon (but effective immediately prior to) Admission taking place prior to 31 December 2013, to pass the following resolutions to *inter alia*, create the Ordinary Shares and to give the Directors authority to allot further Ordinary Shares from Admission as follows (with the resolutions at paragraph 4.6.2 being conditional upon the resolutions contained at paragraph 4.6.1 being passed):

4.6.1 That:

- 4.6.1.1 each of the A Ordinary Shares of £1.00 each in the Company be and are hereby sub divided into 100 A ordinary shares of £0.01 each of £0.01 each so that immediately following such sub-division there are 13,205,900 A ordinary shares of £0.01 each in issue;
- 4.6.1.2 pursuant to section 551 of the Act, the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot new B, B1 and B2 Ordinary Shares of £0.01 each in the Company to be allotted pursuant to paragraph 4.6.1.3 below up to an aggregate nominal amount of £10,741.50 provided that (unless previously revoked, varied or reviewed) this authority shall expire on 31 December 2013 and pursuant to this authority 787,050 B, 143,550 B1 and 143,550 B2 Ordinary Shares be and are hereby allotted. This authority is in addition to all existing authorities under section 551 of the Act;
- 4.6.1.3 the aggregate sum of £10,741.50, being part of the distributable reserves of the Company, be and is hereby capitalised and that the directors be and are hereby authorised to apply such sum in paying up in full 787,050 B, 143,550 B1 and 143,550 B2 Ordinary Shares of £0.01 each in the capital of the Company and to allot and issue such new shares, credited as fully paid up, to the holders of the B, B1 and B2 Ordinary Shares in the capital of the Company *pro rata* in accordance with their shareholding of each class as set out below:

Shareholder	No. of B Ordinary Shares held	No. of new B Ordinary Shares to be issued (99 for 1)	No. of B1 Ordinary Shares held	No. of new B1 Ordinary Shares to be issued (99 for 1)	No. of B2 Ordinary Shares held	No. of new B2 Ordinary Shares to be issued (99 for 1)
Beth Butterwick	3,600	356,400	–	–	–	–
Stephen Alldridge	1,450	143,550	–	–	–	–
Caroline Cotton	1,450	143,550	–	–	–	–
Mark Pickersgill	1,450	143,550	–	–	–	–
Jeffrey Bee	–	–	1,450	143,550	–	–
Sean Emmett	–	–	–	–	1,450	143,550
<b>TOTAL:</b>	<u>7,950</u>	<u>787,050</u>	<u>1,450</u>	<u>143,550</u>	<u>1,450</u>	<u>143,550</u>

Immediately following the bonus issue pursuant to this paragraph 4.6.1.3 and the sub-division in paragraph 4.6.1.1 above, the shareholdings in the capital of the capital of the Company will be as follows:

Shareholder	A ordinary shares held	B Ordinary Shares held	B1 Ordinary Shares held	B2 Ordinary Shares held
BM Holdings S.À R.L.	13,205,900	–	–	–
Beth Butterwick	–	360,000	–	–
Stephen Alldridge	–	145,000	–	–
Caroline Cotton	–	145,000	–	–
Mark Pickersgill	–	145,000	–	–
Jeffrey Bee	–	–	145,000	–
Sean Emmett	–	–	–	145,000
<b>TOTAL:</b>	<u>13,205,900</u>	<u>795,000</u>	<u>145,000</u>	<u>145,000</u>

- 4.6.1.4 pursuant to section 551 of the Act, the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot the new A ordinary shares of £0.01 each and the B Ordinary Shares in the Company to be allotted pursuant to paragraph 4.6.1.5 below up to an aggregate nominal amount of £350,022.50 provided that (unless previously revoked, varied or renewed) this authority shall expire on 31 December 2013, and pursuant to this authority



33,014,750 A ordinary shares and 1,987,500 B Ordinary Shares be and are hereby allotted. This authority is in addition to all existing authorities under section 551 of the Act;

- 4.6.1.5 the aggregate sum of £350,022.50, being part of the distributable reserves of the Company, be and is hereby capitalised and that the directors be and are hereby authorised to apply such sum in paying up in full 33,014,750 A ordinary shares and 1,987,500 B Ordinary Shares in the capital of the Company and to allot and issue such new shares, credited as fully paid up, to the holders of the A ordinary shares and B Ordinary Shares in the capital of the Company *pro rata* in accordance with their shareholding of each class as set out below:

<i>Shareholder</i>	<i>No. of A ordinary shares held</i>	<i>No. of new A ordinary shares to be issued (5 for 2)</i>	<i>No. of B Ordinary Shares held</i>	<i>No. of new B Ordinary Shares to be issued (5 for 2)</i>
BM Holdings S.À R.L	13,205,900	33,014,750	–	–
Beth Butterwick	–	–	360,000	900,000
Stephen Alldridge	–	–	145,000	362,500
Caroline Cotton	–	–	145,000	362,500
Mark Pickersgill	–	–	145,000	362,500
<b>TOTAL:</b>	<u>13,205,900</u>	<u>33,014,750</u>	<u>795,000</u>	<u>1,987,500</u>

Immediately, following the bonus issue pursuant to this paragraph 4.6.1.5, the shareholdings in the capital of the Company will be as follows:

<i>Shareholder</i>	<i>A ordinary shares held</i>	<i>B Ordinary Shares held</i>	<i>B1 Ordinary Shares held</i>	<i>B2 Ordinary Shares held</i>
BM Holdings S.À R.L	46,220,650	–	–	–
Beth Butterwick	–	1,260,000	–	–
Stephen Alldridge	–	507,500	–	–
Caroline Cotton	–	507,500	–	–
Mark Pickersgill	–	507,500	–	–
Jeffrey Bee	–	–	145,000	–
Sean Emmett	–	–	–	145,000
<b>TOTAL:</b>	<u>46,220,650</u>	<u>2,782,500</u>	<u>145,000</u>	<u>145,000</u>

- 4.6.1.6 pursuant to section 551 of the Act, the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot the new B1 Ordinary Shares in the Company to be allotted pursuant to paragraph 4.6.1.7 below up to an aggregate nominal amount of £1,323.88 provided that (unless previously revoked, varied or reviewed) this authority shall expire on 31 December 2013, and pursuant to this authority 132,388 B1 Ordinary Shares be and are hereby allotted. This authority is in addition to all existing authorities under section 551 of the Act;

- 4.6.1.7 the aggregate sum of £1,323.88, being part of the distributable reserves of the Company, be and is hereby capitalised and that the directors be and are hereby authorised to apply such sum in paying up in full 132,388 B1 Ordinary Shares in the capital of the Company and to allot and issue such new shares, credited as fully paid up, to Jeffrey Bee as the sole holder of B1 Ordinary Shares in the capital of the Company;

- 4.6.1.8 910 of the B2 Ordinary Shares held by Sean Emmett be and are hereby redesignated as one class of deferred shares of £0.01 each in the capital of the Company, such deferred shares having no rights to voting, dividends, or rights on a return of capital and the directors be and are hereby given authority to effect the repurchase of such

deferred shares by the Company and such deferred shares be and are hereby repurchased immediately by the Company for the aggregate sum of £1;

Immediately following the bonus issue and the conversion and buyback of deferred shares pursuant to paragraphs 4.6.1.7 and 4.6.1.8 above, the shareholdings in the capital of the Company will be as follows:

<i>Shareholder</i>	<i>A ordinary shares held</i>	<i>B Ordinary Shares held</i>	<i>B1 Ordinary Shares held</i>	<i>B2 Ordinary Shares held</i>
BM Holdings S.À R.L	46,220,650	–	–	–
Beth Butterwick	–	1,260,000	–	–
Stephen Alldridge	–	507,500	–	–
Caroline Cotton	–	507,500	–	–
Mark Pickersgill	–	507,500	–	–
Jeffrey Bee	–	–	277,338	–
Sean Emmett	–	–	–	144,090
<b>TOTAL:</b>	<u>46,220,650</u>	<u>2,782,500</u>	<u>277,338</u>	<u>144,090</u>

4.6.1.9 each of the resulting A, B, B1 and B2 Ordinary Shares of £0.01 each in the capital of the Company be and are hereby redesignated as Ordinary Shares of £0.01 each having the rights set out in the Articles to be adopted pursuant to the resolution set out in paragraph 4.6.2.2.

Immediately, following the redesignation pursuant to this paragraph 4.6.1.9 and a new issue of 593,572 Ordinary Shares in the capital of the Company to Greenwood Nominees Limited as nominee on behalf of Sanne Trust Company Limited, as trustees of the Bonmarché Employee Benefit Trust the shareholdings in the capital of the Company will be as follows:

<i>Shareholder</i>	<i>Ordinary shares held</i>
BM Holdings S.À R.L	46,220,650
Beth Butterwick	1,260,000
Stephen Alldridge	507,500
Caroline Cotton	507,500
Mark Pickersgill	507,500
Jeffrey Bee	277,338
Sean Emmett	144,090
Greenwood Nominees Limited as nominee on behalf of Sanne Trust Company Limited, as trustees of the Bonmarche Employee Benefit Trust	593,572
<b>TOTAL:</b>	<u>50,018,150</u>

4.6.2 That:

4.6.2.1 pursuant to section 551 of the Act, the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £166,727.16, being one-third of the issued ordinary share capital of the Company, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 14 February 2015 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in addition to all existing authorities under section 551 of the Act;

4.6.2.2 the Articles be and are hereby adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company;

4.6.2.3 pursuant to section 570 of the Act, the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted at the resolution set out in paragraph 4.6.2.1 as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:

- (i) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
  - (a) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and
  - (b) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange;

4.6.2.4 otherwise than pursuant to the resolution set out in paragraph 4.6.2.3 (i), up to an aggregate nominal amount of no more than £25,009.07, being five per cent. of the issued ordinary share capital of the Company and (unless previously revoked, varied, or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 14 February 2015 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in addition to all existing powers under section 570 of the Act; and

4.6.2.5 pursuant to section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares provided that:

- (i) the maximum aggregate number of Ordinary Shares which may be purchased is 5,001,815;
- (ii) the minimum price (excluding expenses) which may be paid for an Ordinary Share is £0.01;
- (iii) the maximum price (excluding expenses) which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for a share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made,

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 14 February 2015 (whichever is the earlier), save that the Company may enter into a contract to purchase Ordinary Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Ordinary Shares pursuant to any such contract as if this authority had not expired.

4.7 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares

to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Company's registrar, Capita Registrars Limited (details of whom are set out on page 3).

- 4.8 It is anticipated that, where appropriate, share certificates will be despatched by first class post by 4 December 2013. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.
- 4.9 The legislation under which the Ordinary Shares will be issued is the Act and regulations made under the Act.
- 4.10 The Ordinary Shares are denominated in pounds sterling.
- 4.11 Save as disclosed in this paragraph 4 and paragraph 6 of this Part IV, as at the date of this document:
- 4.11.1 the Company does not hold any treasury shares and no Ordinary Shares were held by, or on behalf of, any member of the Group;
- 4.11.2 no shares have been issued otherwise than as fully paid;
- 4.11.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;
- 4.11.4 the Company has given no undertaking to increase its share capital; and
- 4.11.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

## **5. ARTICLES OF ASSOCIATION**

The Articles include provisions to the following effect:

### **5.1 Objects**

Section 31 of the Act provides that the objects of a company are unrestricted unless any restrictions are set out in the Articles. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

### **5.2 Voting rights**

5.2.1 Subject to any rights or restrictions attached to any shares, on a show of hands:

5.2.1.1 every member who is present in person has one vote;

5.2.1.2 every proxy present who has been duly appointed by one or more members entitled to vote on the resolution(s) has one vote; and

5.2.1.3 a proxy has one vote for and one vote against the resolution(s) if he has been duly appointed by more than one member and either: (i) is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it; or (ii) is instructed by one or more of those members to vote in one way and is given a discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

5.2.2 Subject to any rights or restrictions attached to any shares, on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

5.2.3 Where there are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders. Seniority is determined by the order in which the names of the holders stand in the register.

5.2.4 Unless the Board otherwise determines, a member shall not be entitled to vote unless all calls or other sums due from him in respect of shares in the Company have been paid.

### 5.3 **Dividend**

- 5.3.1 Subject to the Act and the Articles, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. Subject to the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution.
- 5.3.2 Except as otherwise provided by the rights attached to shares (or in the case of the Executive Directors and Senior Managers only in accordance with the Restricted Share Agreements in paragraph 6.2 of this Part IV), all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid.
- 5.3.3 Dividends may be declared or paid in whatever currency the Board decide. Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.
- 5.3.4 All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.
- 5.3.5 The Board may, with the authority of an ordinary resolution of the Company:
- 5.3.5.1 offer holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid, instead of cash in respect of all or part of any dividend or dividends specified by the ordinary resolution;
  - 5.3.5.2 direct that payment of all or part of any dividend declared may be satisfied by the distribution of specific assets.
- 5.3.6 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

### 5.4 **Pre-emption rights**

In certain circumstances, members may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing members on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to members.

### 5.5 **Distribution of assets on a winding-up**

On a winding-up, the liquidator may, with the authority of a special resolution of the Company and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of members as he may determine. The liquidator shall not, however (except with the consent of the member concerned) distribute to a member any asset to which there is attached a liability or potential liability for the owner.

### 5.6 **Transfer of shares**

- 5.6.1 Every transfer of shares which are in certificated form must be in writing in any usual form or in any form approved by the Board and shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.
- 5.6.2 Every transfer of shares which are in uncertificated form must be made by means of a relevant system (such as CREST).

5.6.3 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares if: (i) it is in respect of a share which is not fully paid up (provided that the refusal does not prevent dealings in the Company's shares from taking place on an open and proper basis); (ii) it is in respect of more than one class of share; (iii) it is not duly stamped (if so required); or (iv) it is not delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued) by the relevant share certificate and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

5.6.4 The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares which is in favour of: (i) a child, bankrupt or person of unsound mind; or (ii) more than four joint transferees.

#### 5.7 **Suspension of rights**

If a member or any person appearing to be interested in shares held by such a member has been duly served with a notice under section 793 of the Act and has failed in relation to any shares ("**default shares**") to give the Company the information thereby required within 14 days from the date of the notice, then, unless the Board otherwise determines, the member shall not be entitled to vote or exercise any right conferred by membership in relation to meetings of the Company in respect of such default shares. Where the holding represents more than 0.25 per cent. of the issued shares of that class (excluding any shares of that class held as treasury shares), the payment of dividends may be withheld and such member shall not be entitled to transfer such shares other than by arm's length sale or unless the member himself is not in default and the member proves to the satisfaction of the Board that no person in default is interested in the shares the subject of the transfer.

#### 5.8 **Untraced members**

The Company is entitled to sell any share of a member who is untraceable, provided that:

5.8.1 for a period of not less than 12 years (during which at least three cash dividends have been payable on the share), no cheque, warrant or money order sent to the member has been cashed or all funds sent electronically have been returned;

5.8.2 at the end of such 12 year period, the Company has advertised in a national and local (ie the area in which the member's registered address is situated) newspaper its intention to sell such share; and

5.8.3 the Company has not, during such 12 year period or in the three month period following the last of such advertisements, received any communication in respect of such share from the member.

The Company shall be indebted to the former member for an amount equal to the net proceeds of any such sale.

#### 5.9 **Variation of class rights**

5.9.1 Subject to the Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders of shares of that class, but not otherwise. The quorum at any such meeting (other than an adjourned meeting) is two persons holding or representing by proxy at least one third in nominal amount of the issued shares of the class in question.

5.9.2 The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking *pari passu* with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.



#### 5.10 **Share capital, changes in capital and purchase of own shares**

5.10.1 Subject to the Act and to the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the Board may determine.

5.10.2 Subject to the Articles and to any rights attached to any existing shares any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.

5.10.3 The Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

#### 5.11 **General meetings**

5.11.1 The Board may convene a general meeting whenever it thinks fit. Members have a statutory right to requisition a general meeting in certain circumstances.

5.11.2 Pursuant to the Act, an annual general meeting shall be called on not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice.

5.11.3 The quorum for a general meeting is two members present in person or by proxy and entitled to vote.

5.11.4 The Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction which it or he considers appropriate to ensure the security or orderly conduct of the meeting. This may include requirements for evidence of identity to be produced by those attending, the searching of their personal property and the restriction of items which may be taken into the meeting place.

#### 5.12 **Appointment of directors**

5.12.1 Unless otherwise determined by ordinary resolution, there shall be no maximum number of directors, but the number of directors shall not be less than two.

5.12.2 Subject to the Act and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy. The Board may also appoint any person who is willing to act as a director, subject to the Act and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is elected during such meeting.

5.12.3 The Board may appoint any director to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

#### 5.13 **Remuneration of directors**

5.13.1 The total of the fees paid to any non-executive directors for their services must not exceed £300,000 a year, unless otherwise determined by ordinary resolution. This amount shall be automatically increased each year by the same amount as the increase in the General Index of Retail Prices. The Board may decide to pay additional remuneration to a non-executive director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profits or otherwise.

5.13.2 Subject to the powers of the Remuneration Committee, the salary or remuneration of executive directors shall be determined by the Board and may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board.

5.13.3 Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as director.

5.14 **Retirement and removal of directors**

5.14.1 At each annual general meeting of the Company, one-third of the directors (or the number nearest to but not exceeding one-third of the number of directors is not a multiple of three) shall retire from office. In addition, any director who has been a director at each of the preceding two annual general meetings shall also retire. Each such director may, if eligible, offer himself for re-election. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.

5.14.2 Without prejudice to the provisions of the Act, the Company may by ordinary resolution remove any director before the expiration of his period of office and may by ordinary resolution appoint another director in his place.

5.15 **Directors' interests**

5.15.1 Subject to the Act and provided that he has disclosed to the directors the nature and extent of any interest, a director is able to enter into contracts or other arrangements with the Company, hold any other office (except auditor) with the Company or be a director, employee or otherwise interested in any company in which the Company is interested. Such a director shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement or proposal.

5.15.2 Save as otherwise provided by the Articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he (together with any person connected with him) is to his knowledge materially interested, directly or indirectly. Interests of which the director is not aware, interests which cannot reasonably be regarded as likely to give rise to a conflict of interest and interests arising purely as a result of an interest in the Company's shares, debentures or other securities are disregarded. However, a director can vote and be counted in the quorum where the resolution relates to any of the following:

5.15.2.1 the giving of any guarantee, security or indemnity in respect of: (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

5.15.2.2 the participation of the director, in an offer of securities of the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;

5.15.2.3 a proposal involving another company in which he and any persons connected with him has a direct or indirect interest of any kind, unless he and any persons connected with him hold an interest in shares representing one per cent. or more of either any class of equity share capital, or the voting rights, in such company;

5.15.2.4 any arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

5.15.2.5 any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit; and

5.15.2.6 any proposal concerning indemnities in favour of directors or the funding of expenditure by one or more directors on defending proceedings against such director(s).



5.15.3 A director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

5.15.4 The Board may authorise any matter that would otherwise involve a director breaching his duty under the Act to avoid conflicts of interest, provided that the interested director(s) do not vote or count in the quorum in relation to any resolution authorising the matter. The Board may authorise the relevant matter on such terms as it may determine including:

5.15.4.1 whether the interested director(s) may vote or be counted in the quorum in relation to any resolution relating to the relevant matter;

5.15.4.2 the exclusion of the interested director(s) from all information and discussion by the Company of the relevant matter; and

5.15.4.3 the imposition of confidentiality obligations on the interested director(s).

An interested director must act in accordance with any terms determined by the Board. An authorisation of a relevant matter may also provide that where the interested director obtains information that is confidential to a third party (other than through his position as director) he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs, if to do so would amount to a breach of that confidence.

#### 5.16 ***Powers of the directors***

5.16.1 The business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the management of the business or not.

5.16.2 Subject to the provisions of the Act, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the Group shall not, without an ordinary resolution of the Company, exceed a sum equal to three times the aggregate of the amount paid up or credited as paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserves of the Group as shown in the latest audited balance sheet of the Group, after such adjustments and deductions as are specified in the Articles.

5.16.3 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

#### 5.17 ***Directors' indemnity and insurance***

5.17.1 Subject to the Act, each director of the Company and of any associated company may be indemnified against any liability.

5.17.2 Subject to the Act, the Board may purchase and maintain insurance against any liability for any director of the Company or of any associated company.

## 6. SHARE INCENTIVE ARRANGEMENTS

### 6.1 Joint Share Ownership Plan

#### 6.1.1 Overview

6.1.1.1 On 31 October 2013, the Company adopted the Bonmarché Holdings plc Joint Share Ownership Plan (“**JSOP**”). Under the JSOP, the Executive Directors and employees may acquire Shares jointly with the trustees (“**Trustees**”) of the Bonmarché Employee Benefit Trust (“**EBT**”). The trustees of the EBT are independent professional trustees resident in Jersey.

6.1.1.2 From Admission, the Remuneration Committee of the Board will supervise the operation of the JSOP.

#### 6.1.2 Participation

6.1.2.1 All executive directors and employees are eligible for participation in the JSOP.

6.1.2.2 Under the JSOP, the Remuneration Committee may from time to time exercise its discretion and request the Trustees to acquire Ordinary Shares jointly with selected executive directors or employees. The Trustees have agreed to acquire a total of 593,572 Ordinary Shares jointly with two of the Senior Managers, Sean Emmett and Jeffrey Bee conditionally upon Admission. The Remuneration Committee has no current intention to request the Trustees to acquire any other Ordinary Shares jointly with executive directors or employees, though it may do so in the future. The EBT will be funded by way of a loan from the Company in the aggregate sum of £1,187,144 to enable it to acquire the Shares jointly with Sean Emmett and Jeffrey Bee.

6.1.2.3 On Admission, Jeffrey Bee and Sean Emmett will also hold, in aggregate 421,428 Ordinary Shares in their own names (representing the former B1 Ordinary Shares and B2 Ordinary Shares, referred to in paragraph 4.3.4 of this Part IV). The subscriptions for these B1 Ordinary Shares and B2 Ordinary Shares were funded using the Management Loans. BHP also intends to enter into agreements with Sean Emmett and Jeffrey Bee pursuant to which it will agree to make a loan to each of them to enable them to pay income tax and national insurance contributions arising in relation to the acquisition by them on Admission of their joint interests in Ordinary Shares under the JSOP. The Management Loans and the additional loans will be secured by a charge over the B1 and B2 Ordinary Shares held by Jeffrey Bee and Sean Emmett.

#### 6.1.3 Nature of Interests

6.1.3.1 An interest (“**Interest**”) acquired by a participant (“**Participant**”) under the JSOP takes the form of a restricted beneficial interest in a number of Ordinary Shares which, broadly, gives the Participant the right to the future increase in value of those Ordinary Shares above an agreed threshold which will not be less than the market value of the Ordinary Shares at the date the Interests are acquired (“**Threshold**”). To acquire his Interest, the Participant enters into a joint ownership agreement with the Trustees under which the Participant and the Trustees jointly acquire the Ordinary Shares. Under the terms of the JSOP, the Remuneration Committee will specify what purchase price must be paid by a Participant to acquire an Interest. To the extent that the purchase price paid by the Participant for his Interest is less than the initial market value of the Interest, income tax and national insurance contributions will be payable. The remaining interest in the jointly owned Ordinary Shares not acquired by the Participant is acquired by the Trustees with funding provided by the Company. In respect of the Interests acquired by Sean Emmett and Jeffrey Bee conditionally upon Admission, the purchase price payable by the Trustees was £1,187,144 in aggregate.

6.1.3.2 Generally, Interests can only be acquired under the JSOP in the six week period following the adoption of the JSOP and thereafter, only in the six week period following the announcement by the Company of its interim or final results. However,

in circumstances which the Remuneration Committee considers exceptional, Interests may be acquired outside these six week periods. Acquisitions of Interests are not permitted during a close period or any other period during which dealings in Ordinary Shares is restricted.

6.1.3.3 No Interests may be acquired more than ten years from the date when the JSOP was adopted by the Company, without approval by the Shareholders in general meeting.

6.1.3.4 Prior to vesting of Interests, Interests are not transferable other than to the Trustees pursuant to the rules of the JSOP and the joint ownership agreement, and on death.

6.1.3.5 Interests acquired under the JSOP are not pensionable.

#### 6.1.4 ***Vesting of Interests***

6.1.4.1 All Interests will be subject to performance and/or time vesting conditions. Until vesting of Interests, the Ordinary Shares which are the subject of the Interests will be jointly owned by the Trustees and the Participant. Upon vesting, a Participant may require the Trustees to transfer to him Ordinary Shares of equal value to the Participant's vested Interests.

6.1.4.2 In respect of the Interests acquired by Jeffrey Bee and Sean Emmett conditionally upon Admission, the Interests vest annually in five equal tranches on each of the first five anniversaries of commencement of their employment, being 7 January 2013 and 3 June 2013 respectively.

6.1.4.3 Interests which do not vest will become worthless and will be acquired by the Trustees for a nominal price.

#### 6.1.5 ***Cessation of Employment***

6.1.5.1 Vesting of Interests is subject to the Participant remaining in employment within the Group at the relevant vesting date. "Good leavers" will be entitled to retain vested Interests. Unvested Interests, and Interests held by "bad" leavers, will be acquired by the Trustees for a nominal price. For this purpose, a "bad" leaver is a leaver who is not a "good" leaver. A "good" leaver is an employee who ceases to be employed within the Group by reason of death, permanent disability, the company or business which employs him ceasing to be within the Group, or the termination of his employment by the Group without cause.

#### 6.1.6 ***Takeover***

6.1.6.1 In relation to the Interests to be acquired by Jeffrey Bee and Sean Emmett at Admission, if there is a consolidation, merger or other transaction in which the Company is not the surviving entity or which results in the acquisition of all of the Selling Shareholder's then holding of Ordinary Shares by a third party being a single person or persons acting in concert, or any sale or transfer of all of the Company's assets to a third party person or persons acting in concert (but excluding any internal reorganisation), all of their Interests which have not vested at that time will vest in full.

6.1.6.2 If any additional awards are made under the JSOP at a future date, different change of control provisions may apply.

#### 6.1.7 ***Voting***

6.1.7.1 Prior to vesting, neither the Participant nor the Trustee shall exercise voting rights attached to Ordinary Shares subject to an Interest. After vesting, the Participant may direct the Trustee to vote in accordance with the Participant's instructions in respect of a number of jointly owned Ordinary Shares which have a value equal to the Participant's Interests which have vested.

#### 6.1.8 **Dividends**

- 6.1.8.1 Dividends on Ordinary Shares subject to Interests will be waived if they would otherwise be payable prior to vesting of Interests.
- 6.1.8.2 On vesting of Interests, Participants may, however, be awarded a cash amount equal to an appropriate *pro rata* amount of any dividend paid during the vesting period in respect of a number of Ordinary Shares equal to the number in respect of which the Interests have vested.

#### 6.1.9 **Dilution Limits**

- 6.1.9.1 The number of new Ordinary Shares that may be issued jointly to the Trustees and Participants under the JSOP, when aggregated with the number of Ordinary Shares issued or issuable pursuant to options granted, or Ordinary Shares issued, under any other employee share plan operated by the Company, (but excluding shares issued or issuable pursuant to, or related to, grants or awards made on or before Admission) in any ten year period, may not exceed ten per cent. of the number of Ordinary Shares in issue from time to time.
- 6.1.9.2 For so long as institutional guidelines recommend, Ordinary Shares transferred from treasury to satisfy awards will count as newly issued shares for these purposes.
- 6.1.9.3 Ordinary Shares which are subject to Interests which do not vest, and options and awards under other employee share plans which have lapsed or been surrendered, will not count towards these dilution limits.

#### 6.1.10 **Variation of Share Capital**

- 6.1.10.1 In the event of a variation of the share capital of the Company affecting the Ordinary Shares, including a rights issue, bonus issue, consolidation or subdivision of Ordinary Shares, the number and/or description of Ordinary Shares over which Interests are held and the Threshold Value applicable to such Interests may be amended in such manner as is determined by the Remuneration Committee to be appropriate.

#### 6.1.11 **Alterations to the JSOP**

- 6.1.11.1 The rules of the JSOP may be amended by the Remuneration Committee.
- 6.1.11.2 The rules of the JSOP cannot, however, be amended in any way which materially benefits Participants without Shareholder approval in general meeting unless the amendments are to benefit the administration of the JSOP or are to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any Group company) or for Participants or potential Participants.

#### 6.1.12 **Participant Option**

- 6.1.12.1 Where Ordinary Shares have been acquired jointly by the Participant and the Trustees, the Remuneration Committee may request the Trustees to consider the grant of an option to the Participant over the Trustees' interest in the Ordinary Shares which would be exercisable at any time following, and to the extent of, the Participant's Interest having vested.

### 6.2 **Restricted Share Agreements**

Upon Admission, the Executive Directors and certain Senior Managers will hold 3,797,500 Ordinary Shares in aggregate, which represent shares they acquired before Admission pursuant to a share incentive arrangement under which the Selling Shareholder permitted participants to acquire B Ordinary Shares, B1 Ordinary Shares and B2 Ordinary Shares (which shares will be re-designated as Ordinary Shares upon Admission). There are no performance criteria relating to these arrangements, but there were vesting provisions in the Company's previous articles of association under which the

shares would vest annually as to 20 per cent. commencing on the later of: (i) 20 January 2012; and (ii) the date on which the relevant Executive Director or Senior Manager commenced employment with the Group provided the relevant individual is still employed within the Group on the relevant vesting date. In the case of the Executive Directors, Caroline Cotton and Mark Pickersgill, 20 per cent. of their Ordinary Shares have already vested and the remaining 80 per cent. will vest annually in four equal tranches on 20 January 2014, 20 January 2015, 20 January 2016 and 20 January 2017. In the case of Jeffrey Bee and Sean Emmett, none of their Ordinary Shares have yet vested. Vesting will occur annually in five equal tranches on each of the first five anniversaries of commencement of their employment, being 7 January 2013 and 3 June 2013 respectively. With effect from Admission, these vesting provisions will not be in the Articles referred to in paragraph 5 of this Part IV, but the Executive Directors and Senior Managers have each entered into a Restricted Share Agreement pursuant to which they have agreed that these vesting arrangements will continue to apply to the Ordinary Shares held by them following Admission. The Restricted Share Agreements provide that:

- 6.2.1 if an Executive Director or Senior Manager ceases to be employed within the Group before a vesting date, any unvested Ordinary Shares will be subject to acquisition by the Trustees at the lower of cost and market value. Vested Ordinary Shares held by “bad” leavers will also be subject to acquisition by the Trustees at the lower of cost and market value. A “good” leaver will be able to retain his vested Ordinary Shares. For this purpose, a “bad” leaver is a leaver who is not a “good” leaver. A “good” leaver is an employee who ceases to be employed within the Group by reason of death, permanent disability, the company or business which employs him ceasing to be within the Group, or termination of his employment by the Group without cause;
- 6.2.2 dividends received by the Executive Director or Senior Manager in respect of his Ordinary Shares prior to vesting will be deposited in a special “distributions account” and will be released to the Executive Director or Senior Manager as the Ordinary Shares vest. If any Ordinary Shares do not vest, the amount paid into the distributions account in respect of those Ordinary Shares will be paid back to the Company; and
- 6.2.3 if there is a consolidation, merger or other transaction in which the Company is not the surviving entity or which results in the acquisition of all of the Selling Shareholder’s then holding of Ordinary Shares by a third party being a single person or persons acting in concert, or any sale or transfer of all of the Company’s assets to a third party person or persons acting in concert (but excluding any internal reorganisation) in either case for a consideration or payment which is payable as to more than 50 per cent. in cash, all Ordinary Shares which have not then vested will vest in full. If the consideration or payment in respect of such a transaction is not payable as to at least 50 per cent. in cash, vesting (of such consideration or payment) will continue as if such transaction had not occurred. In the latter case, to the extent that the cash payable in respect of the Executive Director or Senior Manager’s Ordinary Shares exceeds the value of those Ordinary Shares which have vested at the time of the transaction, it will be paid into the distributions account referred to at paragraph 6.2.2 above and will be released in accordance with the vesting schedule. A similar provision will apply in respect of cash received by Jeffrey Bee and Sean Emmett in respect of their JSOP interests which have not vested at the time of the transaction.

## **7. DIRECTORS’ AND OTHERS’ INTERESTS**

- 7.1 As at (i): the date of this document; and (ii) immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director, are as follows:

<i>Director</i>	<i>As at the date of this document</i>		<i>Following Admission</i>	
	<i>Number of B Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share Capital</i>
Beth Butterwick	3,600	2.52	1,260,000	2.52
Stephen Alldridge	1,450	1.01	507,500	1.01
Ishbel Macpherson	–	0	25,000	0.05

7.2 Save as disclosed in paragraph 7.1 above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor does any member of his or her family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non-beneficial.

7.3 So far as the Directors are aware, the only persons who are or will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company as at: (i) the date of this document; and (ii) immediately following Admission (taking into account the number of Sale Shares sold by the Selling Shareholder pursuant to the Placing) are as follows:

<i>Shareholder</i>	<i>As at the date of this document</i>		<i>Following Admission and the Placing</i>	
	<i>Number of A Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share Capital</i>
BM Holdings S.A.R.L.	132,059	92.41	26,213,390	52.40

#### 7.4 **Rule 9 disclosures**

##### **Overview**

For the purposes of Rule 9 of the Takeover Code (which is described further in paragraph 16 of this Part IV), the Company understands that the Panel will presume any funds managed or advised by the Selling Shareholder, and, by virtue of his appointment by the Selling Shareholder as a director of the Company, Tim Mason to be acting in concert for the purposes of Rule 9 of the Takeover Code (the “**Concert Party**”).

##### **Acquisitions of further shares following Admission**

Prospective investors should be aware that, following Admission, the members of the Concert Party may between them hold more than 50 per cent. of the Company’s voting share capital and (if the Concert Party was deemed to exist at any relevant time) may accordingly be able to increase their aggregate shareholding without incurring any obligation under Rule 9 to make a general offer, although individual members of the Concert Party or any sub-group of the Concert Party will not, without the consent of the Panel, be able to increase their interests in Ordinary Shares in the Company through a Rule 9 threshold (i.e. to or through 30 per cent. of the voting rights or any increase between (and including) 30 per cent. but no more than 50 per cent. of the voting rights) without incurring an obligation under Rule 9 to make a general offer for the Company.

##### **Whitewash procedure**

When a company redeems or purchases its own voting shares, under Rule 37 of the Takeover Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. Rule 37 of the Takeover Code provides that, subject to prior consultation, the Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed. Appendix 1 to the Takeover Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37 of the Takeover Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company’s purchase of its own shares



will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. However, there is no presumption that all the directors (or any two or more directors) are acting in concert solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders' authority for any such purchase.

Under Note 2 on Rule 37 of the Takeover Code, the exception in Note 1 on Rule 37 described above will not apply, and an obligation to make a mandatory offer may therefore be imposed, if a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when he, she or it had reason to believe that such a purchase of its own shares by the company would take place. However, Note 2 will not normally be relevant unless the relevant person has knowledge that a purchase for which requisite shareholder authority exists is being, or is likely to be, implemented (whether in whole or in part).

The Panel must be consulted in advance in any case where Rule 9 of the Takeover Code might be relevant. This will include any case where a person or group of persons acting in concert is interested in shares carrying 30 per cent. or more but does not hold shares carrying more than 50 per cent. of the voting rights of a company, or may become interested in 30 per cent. or more on full implementation of the proposed purchase of own shares. In addition, the Panel should always be consulted if the aggregate interests in shares of the directors and any other persons acting in concert, or presumed to be acting in concert, with any of the directors amount to 30 per cent. or more, or may be increased to 30 per cent. or more on full implementation of the proposed purchase of own shares.

Subject to certain limits, the Company has authority to purchase Ordinary Shares under the terms of the shareholder resolution summarised in paragraph 4.6 of this Part IV. The maximum number of Ordinary Shares that the Company may purchase under this authority is 5,001,815. The authority is due to expire at the conclusion of the annual general meeting of the Company following Admission or 14 February 2015, whichever is the later.

If, prior to such expiry:

- the Company were to exercise that authority in full;
- the percentage shareholding of the Concert Party in the Company immediately following Admission is approximately 52.40 per cent., which is held entirely by the Selling Shareholder. Tim Mason does not currently own any Ordinary Shares; and
- none of the Ordinary Shares which any member of the Concert Party holds are purchased by the Company under that authority and no Ordinary Shares had been newly issued by the Company between the date of Admission and the date on which the authority is fully exercised,

then the Concert Party's aggregate shareholding in the Company would increase to approximately **58.20 per cent.**

These increases would be less to the extent that any of the Concert Party's Ordinary Shares are purchased by the Company.

The Company will seek authority to buy back Ordinary Shares from Shareholders at the first annual general meeting of the Company following Admission and seek Shareholder consent to an equivalent waiver in respect of any authority to purchase Ordinary Shares. The granting of the waiver in future will then also be subject to approval from the Panel, without which Rule 9 of the Takeover Code will apply with respect to increases in interests in Ordinary Shares in the Company caused by the purchase by the Company of its own shares.

- 7.5 Save as disclosed in paragraph 7.3 above, the Company and the Directors are not aware of: (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company; nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.
- 7.6 Subject to the terms of the Relationship Agreement disclosed at paragraph 14.4 of this Part IV, the voting rights of the person listed in paragraph 7.3 above do not differ from the voting rights of any other holder of Ordinary Shares.

7.7 Other than the Management Loans which are to certain of the Senior Managers, there are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.

7.8 In addition to their current directorships in the Company, the Directors hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Tim Mason	Bluebird UK Holdco Limited Bluebird UK Topco Limited Eagle UK Bidco Limited Eagle UK Holdco Limited Eagle Finco Limited Minerva Holdco Limited Minerva Bidco Limited Sun European Partners, L.L.P. Zeus Topco II Limited Zeus Topco III Limited Zeus Topco Limited	Beehythe Estates Limited Fresh & Easy Holding Company Fresh & Easy Neighbourhood Market Inc. Fresh & Easy Property Company L.L.C Tesco Stores Limited Tesco PLC Tesco.com Limited Tesco Capital No. 2 Limited Tesco Mobile Communications Limited Tesco Mobile Services Limited Tesco Capital No. 1 Limited Tesco (Foxtrot 1) Limited Tesco (Foxtrot 2) Limited Tesco (Tango) Limited Tesco Stores Holdings Inc.
Beth Butterwick	Bluebird UK Bidco 2 Limited Bonmarché Limited	Ms Mode BV
Stephen Aldridge	Bluebird UK Bidco 2 Limited Bonmarché Limited LMB Realisations Limited (in administration) (formerly Bon Marché Limited)	None
Ishbel Macpherson	Dechra Pharmaceuticals plc Dignity plc Speedy Hire plc	GAME Group plc Hydrogen Group plc May Gurney Integrated Services plc MITIE Group plc Synthomer plc
John Coleman	AGA Rangemaster Group plc Travis Perkins plc Trebury Property Management Company Limited	Holidaybreak Limited

7.9 Tim Mason was a director of Fresh & Easy Neighbourhood Market Inc. between 13 September 2006 and 6 December 2012. On 30 September 2013, this company filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the District of Delaware.

7.10 On 3 October 2005, Ishbel Macpherson was appointed as a director of GAME Group plc. In March 2012, GAME Group plc was put into administration which is still ongoing.



- 7.11 Save as disclosed in paragraphs 7.9 and 7.10 of this Part IV, as at the date of this document no Director:
- 7.11.1 has any unspent convictions in relation to any indictable offences;
- 7.11.2 has been bankrupt or entered into an individual voluntary arrangement;
- 7.11.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- 7.11.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- 7.11.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; and
- 7.11.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.
- 7.12 No Director has any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

## 8. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

- 8.1 Each of the Executive Directors has a service agreement with the Company and each of the Non-Executive Directors has a letter of appointment with the Company. Details of these service agreements and letters of appointment are set out below:

<i>Director</i>	<i>Date of agreement</i>	<i>Current salary/fee (per annum)</i>
Tim Mason	28 October 2013	£100,000 <sup>1</sup>
Beth Butterwick	19 September 2011	£270,300
Stephen Alldridge	3 March 2003	£183,600
Ishbel Macpherson	9 October 2013	£55,000
John Coleman	9 October 2013	£55,000

<sup>1</sup> Paid to the Sun Adviser

- 8.2 Tim Mason was appointed as a Non-Executive Director and chairman of the Company via the Sun Adviser by an agreement dated 28 October 2013 with a commencement date of 17 October 2013. The appointment is for a period of three years (subject to election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company, Mr Mason or the Sun Adviser. Mr Mason will provide his services for up to 30 days a year. The fee payable to the Sun Adviser for Mr Mason's services as a Non-Executive Director is £100,000 per annum and is subject to annual review by the Remuneration Committee.
- 8.3 Beth Butterwick entered into a director's service agreement with Peacock Stores Limited on 19 September 2011. Mrs Butterwick's employment transferred to Bonmarché Limited under the Transfer of Undertakings (Protection of Employment) Regulations 2006 on 20 January 2012. Mrs Butterwick's current salary is £270,300 per annum which is subject to annual review by the Remuneration Committee. The agreement states that Mrs Butterwick's appointment as Bonmarché's Chief Executive Officer shall continue until it is terminated by either party providing twelve months' written notice. During this period, Mrs Butterwick may be put on garden leave. The agreement includes a pay in lieu of notice clause. The agreement allows Mrs Butterwick to participate in the bonus scheme offered to Board members and senior managers. Mrs Butterwick is also entitled to various benefits under the agreement such as: (i) a car (including running expenses and petrol) up to

the value agreed annually by the Remuneration Committee; and (ii) membership to the Group's pension, private medical insurance and permanent health insurance schemes. There are provisions in the service agreement requiring Mrs Butterwick to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-dealing with customers, non-solicitation of certain employees, representing herself as being in any way connected with or interested in the Group or making any public statement which is or are materially prejudicial to the interests of the Group for a period of 12 months following either party terminating the agreement. There are no change of control provisions in the service agreement.

- 8.4 Stephen Alldridge entered into a director's service agreement with LMB Realisations Limited (in administration) which commenced on 1 April 2003. Mr Alldridge's employment transferred to Bonmarché Limited under the Transfer of Undertakings Protection of Employment Regulations 2006 on 20 January 2012. Mr Alldridge's current salary is £183,600 per annum which is subject to annual review by the Remuneration Committee. The agreement states that Mr Alldridge's appointment as Bonmarché's Finance Director shall continue until it is terminated by either party providing twelve months' written notice. During this period, Mr Alldridge may be put on garden leave. The agreement includes a pay in lieu of notice clause. The agreement allows Mr Alldridge to participate in the bonus scheme offered to Board members and Senior Managers. Mr Alldridge is also entitled to various benefits under the agreement such as: (i) a car (including running expenses and petrol) up to the value agreed annually by the Remuneration Committee; and (ii) membership to the Group's pension, private medical insurance and permanent health insurance schemes. There are provisions in the service agreement requiring Mr Alldridge to keep information about the Group confidential and to protect the Group's intellectual property rights. The service agreement contains various separate and independent restrictive covenants relating to non-competition, non-dealing with customers, non-solicitation of certain employees, representing himself as being in any way connected with or interested in the Group or making any public statement which is or are materially prejudicial to the interests of the Group for a period of 12 months following either party terminating the agreement. There are no change of control provisions in the service agreement.
- 8.5 Ishbel Macpherson was appointed as the senior Non-Executive Director of the Company by letter of appointment dated 9 October 2013 with a commencement date of 17 October 2013. The appointment is for a period of three years (subject to election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company or Ms Macpherson. Ms Macpherson will provide her services for fifteen and a half days a year. The fee payable for Ms Macpherson's services as a Non-Executive Director is £55,000 per annum and is subject to annual review by a committee of the Board.
- 8.6 John Coleman was appointed a Non-Executive Director of the Company by letter of appointment dated 9 October 2013 with a commencement date of 17 October 2013. The appointment is for a period of three years from Admission (subject to election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company or Mr Coleman. Mr Coleman will provide his services for fifteen and a half days a year. The fee payable for Mr Coleman's services as a Non-Executive Director is £55,000 per annum and is subject to annual review by a committee of the Board.
- 8.7 Save as disclosed in paragraphs 8.1 to 8.6 inclusive above, there are no existing or proposed service agreements or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company without payment of compensation within 12 months.
- 8.8 The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the Directors by any member of the Group in respect of the 52 weeks ended 30 March 2013 was approximately £796,089.
- 8.9 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this document.

## 9. RELATED PARTY TRANSACTIONS

- 9.1 Affiliates of Sun Capital US will have an indirect substantial shareholding in the Company via the Selling Shareholder and therefore transactions involving the Company and any company within the Sun Capital US group will be subject to Rule 13 of the AIM Rules.
- 9.2 Save as disclosed in the historical financial information in Section B of Part III of this document, in paragraph 9.3 below and in paragraphs 14.1, 14.2, 14.4 and 14.6 of this Part IV, there are no related party transactions within the meaning of Rule 13 of the AIM Rules that have been entered into by the Company or any member of the Group during the period from 20 January 2012 and 14 November 2013, being the last practicable date prior to the publication of this document.
- 9.3 As at the date of this document, the Company and/or a member of the Group has entered into the following related party transactions:
- 9.3.1 Bonmarché Limited and the Company entered into a loan agreement on 15 November 2013 pursuant to which Bonmarché Limited made a loan to the Company of an amount equal to the loan to be made by the Company to the EBT referred to in paragraph 6.1.2.2 of this Part IV (to enable the Company to make such loan to the EBT). The loan from Bonmarché Limited will be repaid by the Company immediately following Admission using the funds which the EBT will use to subscribe for its joint interest in the Ordinary Shares referred to in paragraph 6.1.3.1 of this Part IV;
- 9.3.2 the Company entered into the Restricted Share Agreements with each of the Management Shareholders and the EBT, further details of which are set out in paragraph 6.2 of this Part IV above;
- 9.3.3 the Company entered into a securityholders' agreement dated 26 September 2013 with the Selling Shareholder, Beth Butterwick, Stephen Alldridge, Caroline Cotton and Mark Pickersgill ("**Securityholders' Agreement**"). Jeffrey Bee and Sean Emmett acceded to the Securityholders' Agreement on 16 October 2013 (with Beth Butterwick, Stephen Alldridge, Caroline Cotton and Mark Pickersgill, together the "**Management Shareholders**"). Pursuant to the Securityholders' Agreement restrictions were placed on each Management Shareholder in the event of a public offering and sale of the equity interests in the Company. This agreement replaced a virtual identical securityholders' agreement dated 18 October 2012 in Bluebird UK Topco Limited which was terminated upon the share for share exchange disclosed at paragraph 14.6 of this Part IV. The agreement requires the Management Shareholders to: (i) vote in favour of and consent (to the extent they acquire any voting rights) and raise no objections against a public offering; (ii) enter into any lock-in agreements as required by the underwriter; and (iii) waive any statutory minority rights, dissenter's rights, appraisal rights or similar rights. The Securityholders' Agreement will terminate on Admission;
- 9.3.4 the Company and Bonmarché Limited entered into a fee recharging agreement with Bonmarché Holdings LLC ("**BM LLC**") (a company in the chain of holding companies which owns the Selling Shareholder, incorporated pursuant to the laws of the State of Delaware) dated 16 August 2013 as amended on 31 October 2013 (the "**Recharge Agreement 2013**"). The Recharge Agreement 2013 provides that where the Company and/or Bonmarché Limited have incurred charges (including disbursements) for legal, accounting, financial and other advisory services provided by professional advisers, suppliers and others relating to or in connection with Admission if and to the extent they exceed £1,500,000 ("**Excess Admission Costs**") that BM LLC will bear and incur these additional costs. Under the Recharge Agreement 2013, the Company and Bonmarché Limited have the right but not the obligation, to invoice BM LLC for Excess Admission Costs incurred between 9 May 2013 and 15 August 2014, BM LLC must pay the Excess Admission Costs to the Company and/or Bonmarché Limited as appropriate within 15 days following receipt of such invoices. Pursuant to a fee side letter dated 14 November 2013 between the Company, the Selling Shareholder and Bonmarché Holdings LLC it was agreed that the precise allocation of legal, accounting, financial and other advisory costs relating to Admission would be made in the manner set out in the invoices for such fees and would be recharged in some rates pursuant to the 2013 Recharge Agreement;
- 9.3.5 the Selling Shareholder and Bonmarché Limited entered into a cost recharging agreement dated 16 August 2012 whereby the Selling Shareholder agreed to incur costs on behalf of

Bonmarché Limited and Bonmarché Limited agreed to reimburse the Selling Shareholder accordingly (the “**Recharge Agreement 2012**”). The Recharge Agreement 2012 provides that the Selling Shareholder will bear and incur costs relating to its ownership of Bonmarché Limited. Such costs will consist of: (i) general administrative and secretarial services; (ii) accounting and reporting tasks; and (iii) advisory services. The Recharge Agreement 2012 will terminate on Admission;

9.3.6 Bonmarché Limited and Sun Adviser entered into an agreement effective from 23 January 2012 for the provision of consultancy services in relation to the acquisition of Bonmarché’s business (pursuant to and as defined in the Acquisition Agreement at paragraph 14.7 of this Part IV below) from Peacocks (“**Transaction Services Agreement**”). Under the Transaction Services Agreement, the Sun Adviser (as an independent contractor), amongst other things, provided Bonmarché Limited with advice and support in relation to: (i) the negotiation and analysis of the transactions contemplated by the acquisition of the business and transaction specific financing; (ii) marketing plans and strategies; and (iii) transaction specific human resources issues. The Transaction Services Agreement was terminated on 24 October 2013; and

9.3.7 Bonmarché Limited and Sun Adviser entered into an agreement for consultancy services dated 11 April 2012 and effective from 23 January 2012 (“**Consulting Agreement**”) relating to the provision of management services by the Sun Adviser to Bonmarché Limited prior to Admission. On 25 September 2013, the Consulting Agreement was amended pursuant to the terms of the Consulting Amendment Letter in consideration of a one-off £1.5 million payment by Bonmarché Limited to the Sun Adviser. Pursuant to a deed of termination, the Consulting Agreement will terminate in accordance with the terms thereof on Admission.

## **10. TAXATION**

The following information is intended only as a general guide only based on current UK tax legislation and published HMRC practice as it applies to holding or disposing of Ordinary Shares. It is intended only for Shareholders who are resident (and in the case of individuals, domiciled) in the UK for tax purposes and who hold Ordinary Shares beneficially as an investment and who will be the absolute direct beneficial owners of them.

Non-UK resident and non-UK domiciled Shareholders should consult their professional adviser.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes, is not considered in this section.

**Prospective Shareholders who are in any doubt as to their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their professional adviser without delay.**

### **10.1 Taxation of dividends**

The Company is not required to withhold tax from dividends paid.

#### ***Individuals***

Individual Shareholders receiving a dividend also receive a notional tax credit in respect of the dividend equal to one ninth of the amount of the dividend paid (or ten per cent. of the combined amount of the tax credit and the dividend). The amount of the dividend received by such an individual Shareholder and the associated tax credit form part of the Shareholder’s income for UK tax purposes.

The rate of income tax on dividends is ten per cent. for individuals not liable to tax at a rate above the basic rate. For such individuals, the tax credit therefore discharges their income tax liability and no further tax is due. Individual Shareholders who are subject to the higher rate of income tax are liable to tax on dividends at the rate of 32.5 per cent.. After taking account of the tax credit, such Shareholders will have further tax to pay equal to 22.5 per cent. of the combined amount of the dividend and the tax credit, or 25 per cent. of the net dividend paid. Individual Shareholders who are subject to the additional rate of income tax are liable for tax on dividends at the rate of 37.5 per cent..

After taking account of the tax credit, such Shareholders will have further tax to pay equal to 27.5 per cent. of the combined amount of dividend and the tax credit or approximately 30.56 per cent. of the net dividend paid.

Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit (or any part of it).

### **Companies**

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally be subject to UK tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met. In general, almost all dividends received by corporate Shareholders will fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than ten per cent. of the issued share capital of the Company (or any class of that share capital).

However, the exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not, or cease to be, satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company. Corporation tax is charged on dividends at the rate applicable to that company.

UK resident Shareholders who are not subject to income tax on dividends, including authorised unit trusts and open ended investment companies, are not entitled to claim payment of the tax credit (or any part of it).

## 10.2 **Capital Gains**

For the purposes of UK taxation of chargeable gains the purchase of Ordinary Shares under the Placing will be regarded as an acquisition of a new holding in the company.

A disposal or deemed disposal of Ordinary Shares by a Shareholder may, depending upon the Shareholder’s circumstances, give rise to a liability to UK taxation on chargeable gains.

### **Individuals**

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be payable to the extent that the gain, when taken together with other chargeable gains, exceeds the annual exemption (£10,900 for 2013/14) and after taking account of any capital losses (and other reliefs or exemptions) available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual’s taxable income and gains are less than the upper limit of the income tax basic rate band (for 2013/14 £32,010). To the extent that any chargeable gains when aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent..

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances, the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

An individual Shareholder may qualify for entrepreneurs’ relief on a qualifying disposal of shares if certain conditions regarding the Shareholder and the company invested in are met. This will reduce the rate of capital gains tax to ten per cent. for gains up to a lifetime limit of £10,000,000 (for 2013/14).

### **Companies**

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on



the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (up to 23 per cent. for the financial year 1 April 2013 to 31 March 2014, reducing to 21 per cent. for the financial year 1 April 2014 to 31 March 2015). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances, the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

### 10.3 Stamp Duty and Stamp Duty Reserve Tax

Dealings in Ordinary Shares will normally be subject to stamp duty or stamp duty reserve tax (“**SDRT**”). The transfer on sale of Ordinary Shares will generally give rise to a liability to stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the amount or value of the consideration, or, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, SDRT, generally at the rate of 0.5 per cent. of the consideration. Stamp duty and SDRT will normally be the liability of the purchaser or transferee of the Ordinary Shares;

No stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST, unless such transfer is made for a consideration in money or money’s worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of Ordinary Shares effected on a paperless basis within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the consideration. SDRT on relevant transactions settled within the system, or reported through it for regulatory purposes, will be collected and accounted for to HMRC by CREST.

Special rules apply to persons such as market makers, brokers, dealers and intermediaries and to depositaries and clearance services.

The Government has announced its intention to abolish stamp duty on shares quoted on growth markets, including the AIM market.

### 10.4 Inheritance Tax

Inheritance tax may be payable where an individual dies (wherever they are domiciled) holding Ordinary Shares or where certain lifetime gifts are made of Ordinary Shares by individuals or certain trustees.

Under current law, the main occasions on which inheritance tax is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trustees or appointments out of trusts to beneficiaries, save in very limited circumstances. Special rules also apply to close companies and trustees of settlements.

Shares which are traded on AIM are currently treated as unquoted for the purposes of the inheritance tax legislation. This means that such shares may qualify for business property relief of up to 100 per cent. after a holding period of two years provided the relevant conditions for relief are satisfied.

The inheritance tax rules are complex and Shareholders should consult an appropriate professional adviser in any case where they think the rules may be relevant.

## 11. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company and Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

## 12. SIGNIFICANT CHANGE

Save as disclosed in paragraph 14.5 of this Part IV, there has been no significant change in the financial or trading position of the Group since 28 September 2013, being the date to which the historical financial information in Section B of Part III “Financial Information on the Group” of this document was prepared.

## 13. LITIGATION

No member of the Group is involved in any governmental, legal or arbitration proceedings which are having or may have a significant effect on the Company and/or the Group’s financial position or profitability nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

## 14. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document by any member of the Group and are, or may be, material to the Group or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

- 14.1 pursuant to the Placing, the Company, the Directors, the Selling Shareholder and Investec entered into the Underwriting Agreement on 15 November 2013. The Underwriting Agreement is conditional on, *inter alia*, Admission occurring on 20 November 2013 or such later date (not being later than 8.00 a.m. on 31 December 2013) as the Company, the Selling Shareholder and Investec may agree. The principal terms of the Underwriting Agreement are as follows:
  - 14.1.1 Investec has agreed, as agent of the Company, to use its reasonable endeavours as agent for the Selling Shareholder, to use its reasonable endeavours to procure placees to purchase the Sale Shares at the Placing Price or otherwise to acquire such Sale Shares itself;
  - 14.1.2 the following fees will be paid to Investec pursuant to the Underwriting Agreement in immediately available funds no later than the second business day following the date of Admission: (i) a corporate finance fee of £200,000 (plus any applicable VAT); and (ii) a commission of two per cent. of an amount equal to the Placing Price multiplied by the number of Sale Shares (plus any applicable VAT). In addition, the Selling Shareholder may in its sole discretion choose to pay or procure the payment to Investec of an incentive fee of 0.5 per cent. of the amount which is equal to the Placing Price multiplied by the number of Sale Shares (plus any applicable VAT);
  - 14.1.3 the Company and the Selling Shareholder have agreed to pay or procure the payment of all of the costs and expenses of and incidental to the Placing and related arrangements together with any applicable VAT. The Selling Shareholder shall pay or procure the payment of any stamp duty or stamp duty reserve tax payable on the transfer of the Sale Shares;
  - 14.1.4 the Company, the Directors and the Selling Shareholder have given certain warranties to Investec as to the accuracy of the information in this document about themselves (and in the case of the Selling Shareholder, the Sale Shares) and the Company and the Executive Directors have given warranties about the accuracy of the information in this document and as to other matters relating to the Group. The liability of the Directors and the Selling Shareholder under these warranties is subject to normal limitations;
  - 14.1.5 the Company has given an indemnity to Investec against any losses or liabilities arising out of the performance by Investec of its duties under the Underwriting Agreement; and
  - 14.1.6 Investec may terminate the Underwriting Agreement before Admission in certain circumstances, including for breach of the warranties referred to above.

The following table contains details of the Selling Shareholder and the Sale Shares to be sold by them pursuant to the Underwriting Agreement:

<i>Name</i>	<i>Number of Sale Shares</i>	<i>Percentage that the Sale Shares being placed on Admission represent as a percentage of the Ordinary Shares on Admission</i>	<i>Position, office or material relationship with the Group since incorporation</i>
BM Holdings S.A.R.L.	20,007,260	40%	Controlling Shareholder

14.2 pursuant to the Lock-In and Orderly Market Deeds:

14.2.1 entered into between the Selling Shareholder, the Company and Investec on 15 November 2013 and subject to Admission:

14.2.1.1 the Selling Shareholder has, subject to certain exceptions, undertaken to Investec that, it shall not and it shall procure that any of its associates to whom it transfers Ordinary Shares shall not enter into any agreement to transfer any Ordinary Shares held by them for a period of six months from Admission, without the prior written consent of Investec, any such consent is not to be unreasonably held or delayed; and

14.2.1.2 the Selling Shareholder has further undertaken that it shall not and shall also use its reasonable endeavours to ensure that its associates to whom it transfers Ordinary Shares shall not, for a period of fifteen months from Admission, enter into any agreement to transfer any Ordinary Shares held by them, except through Investec, provided that in respect of any such transfer, Investec sell any such Ordinary Shares in accordance with its best execution policy as soon as reasonably practicable, taking into account the size and timing of the relevant transfer.

14.2.2 entered into between the Directors and Senior Managers who hold Ordinary Shares, the Company and Investec on 15 November 2013 and subject to Admission:

14.2.2.1 such Directors and Senior Managers have, subject to certain exceptions, undertaken to Investec that they shall not and procure that any of their associates shall not, enter into any agreement to transfer any Ordinary Shares held by them for a period of twelve months from Admission, without the prior written consent of Investec, any such consent is not to be unreasonably held or delayed; and

14.2.2.2 such Directors and Senior Managers have each further undertaken that they shall not and shall also use their respective reasonable endeavours to ensure that their associates shall not, for a period of eighteen months from Admission, enter into any agreement to transfer any Ordinary Shares held by them, except through Investec, provided that in respect of any such transfer, Investec sell any such Ordinary Shares in accordance with its best execution policy as soon as reasonably practicable, taking into account the size and timing of the relevant transfer.

14.3 pursuant to the NOMAD Agreement dated 15 November 2013 and made between the Company and Investec, the Company has appointed Investec as nominated adviser and broker to the Company conditional upon Admission for the purposes of the AIM Rules for Companies. The Company has agreed to pay Investec a fee of £75,000 per annum for its services as nominated adviser and broker. The NOMAD Agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The NOMAD Agreement takes effect on Admission and continues for a fixed period of one year from the date of Admission and is thereafter subject to termination on sixty days' notice by either party. The NOMAD Agreement also contains provisions for early termination in certain circumstances;

14.4 pursuant to the Relationship Agreement dated 15 November 2013 and made between the Selling Shareholder, the Company, Investec and the Sun Adviser, the parties agree to regulate the on-going relationship between the Company and the Selling Shareholder to ensure that the Group is capable of carrying on its business independently of the Selling Shareholder group. The Relationship



Agreement takes effect upon Admission and shall continue for so long as the Selling Shareholder and/or its Shareholder Affiliates, either individually or jointly, together hold at least 15 per cent. of the total voting shares of the Company. The Relationship Agreement will automatically terminate if the Selling Shareholder's interest in the Company falls below this level. Pursuant to the Relationship Agreement the Selling Shareholder has undertaken to exercise its power and procure, so far as it is able, that each member of the Selling Shareholder's group shall exercise all of its respective powers to ensure that, *inter alia*:

- 14.4.1 the Selling Shareholder shall not take any action which precludes or inhibits the Company or the Group from carrying on its business independently of any member of the Selling Shareholder's group;
- 14.4.2 all transactions and relationships between the Company or the Group and any member of the Selling Shareholder's group are conducted at an arm's length commercial basis for the duration of the Relationship Agreement;
- 14.4.3 unless the independent Non-Executive Directors recommend such a resolution and subject to certain exceptions, the Selling Shareholder will not exercise any of its voting rights in favour of any resolution to give the Board the authority to allot shares in the Company or disapply any pre-emption rights that the Company's shareholders may have;
- 14.4.4 unless recommended to do so by the independent Non-Executive Directors, the Selling Shareholder shall not exercise any of its voting rights in favour of any resolution to cancel the admission of the Company's securities to trading on AIM; and
- 14.4.5 the Selling Shareholder shall not prevent the Company from complying with all of the applicable provisions of the AIM Rules, including, without limitation, that it continues to satisfy the appropriateness criteria for Admission and the provisions relating to transactions with related parties set out in Rule 13 of the AIM Rules.

The Selling Shareholder, the Company, Investec and the Sun Adviser agree that, save to the extent required by applicable law or regulation they shall exercise their powers so that the Group is managed in accordance with the CGC and the QCA Guidelines in each case to the extent practicable for the size, stage of development, financial position and the operations of the Group at the relevant time.

The Selling Shareholder shall be entitled to nominate a Shareholder Director and an Observer in circumstances where the Selling Shareholder and/or the Shareholder Affiliates hold (either individually or jointly) in excess of 15 per cent. of the total voting shares of the Company. In circumstances where the Selling Shareholder and/or the Shareholder Affiliate hold (either individually or jointly) in excess of 30 per cent. of the total voting shares in the Company, the Selling Shareholder shall be entitled to nominate the Shareholder Director to act as chairman of the Board. Upon Admission, the persons appointed by the Selling Shareholder will be Tim Mason as Shareholder Director and the Company's chairman and Benjamin Buerstedde as Observer. Any nomination for the appointment or removal of a Shareholder Director, chairman, or Observer shall be subject to the prior written approval of Investec (such approval not to be unreasonably withheld or delayed) and in accordance with the Articles and any applicable laws and regulations.

The chairman/Shareholder Director and Observer are authorised by the Company (in circumstances where the Selling Shareholder and/or Shareholder Affiliates hold (individually or jointly) in excess of 15 per cent. of the total voting shares in the Company) to disclose certain information, such as weekly flash reports, cashflow forecasts, monthly profit and loss summaries and flash reports and annual budget packs (which is deemed to be confidential information) to the Selling Shareholder and the Sun Adviser. Subject to certain exceptions and to compliance with all applicable laws, the Company, the Selling Shareholder and the Sun Adviser have agreed not to disclose or use confidential information for any purpose whatsoever other than for the purposes of properly performing such party's obligations under the Relationship Agreement;

- 14.5 pursuant to a revolving credit facility agreement effective from 15 November 2013 entered into between Bonmarché Limited and Barclays Bank PLC ("**Barclays**"), Barclays made available a revolving credit facility of up to £10,000,000 to be used for working capital and general business

purposes of the Group. Provision of the facility is conditional upon the Admission taking place. The margin is 2.5 per cent. An arrangement fee of two per cent. is payable under the facility together with a commitment fee of 50 per cent. of margin. The facility agreement contains representations and warranties in LMA form, together with a financial covenant requiring that the ratio of net finance charges, when combined with rent or similar payments, against the EBITDA figure (adjusted to exclude rent, costs associated with maintaining the Company's listed status on AIM and exceptional costs) of the Company and its subsidiaries is not less than 1:5:1. This facility is secured by the Debenture (as defined in paragraph 14.8 of this Part IV) and a share charge over the shares in Bonmarché Limited;

- 14.6 pursuant to the Share Exchange Agreement dated 26 September 2013 and made between the Company and the former shareholders of Bluebird UK Topco Limited (being, the Selling Shareholder, Beth Butterwick, Stephen Alldridge, Caroline Cotton and Mark Pickersgill), the former shareholders of Bluebird UK Topco Limited exchanged all of their shares in Bluebird UK Topco Limited for shares in the capital of the Company. Further details are contained in paragraphs 4.3.2 and 4.5 of this Part IV;
- 14.7 pursuant to an acquisition agreement dated 20 January 2012 and made between Bonmarché Limited and LMB Realisations Limited (formerly Bon Marché Limited) (in administration) ("**Seller**"), Bonmarché Limited acquired the right, title and interest in the clothing retail business and certain other assets of the Seller that was previously owned by Peacocks (for the purposes of this paragraph 14.7 herein referred to as the "**Business**"). The transfer of the Business was completed in January 2012 and the consideration was payable in cash on completion. The assets purchased by Bonmarché Limited included: equipment, including amongst other things, all fixtures and fittings relating to the Business' properties; goodwill; intellectual property rights, including: (i) trademarks registered in Bahrain, China, Cyprus, the European Community, Germany, Gibraltar, Ireland, Kuwait, Lebanon, Malta, Qatar, Saudi Arabia, Spain, the United Arab Emirates and the United Kingdom; (ii) the domain name of bonmarche.co.uk; and (iii) from its affiliate, Peacocks (in administration), trade marks registered in Oman, the United Kingdom and the United States of America; IT systems; the benefit, subject to the burden of selected contracts; motor vehicles; book debts; stock; and customer records and marketing information. The Acquisition Agreement granted a licence in favour of Bonmarché Limited to occupy certain properties of the Seller and granted Bonmarché Limited the right to negotiate new leases or variations of existing leases with certain landlords. The Acquisition Agreement also provided Bonmarché Limited with the right to enter into negotiations with the counterparties of concession agreements as soon as possible following completion as well as carry out, perform and complete: (i) customer contracts entered into by or on behalf of the Seller in relation to the Business; and (ii) such other contracts, arrangements, licences, guarantees or other commitments that Bonmarché Limited may choose at its sole discretion as notified in writing. The Acquisition Agreement, amongst other things, excluded: any benefit, monies or proceeds the Seller may have become entitled to in respect of any litigation or other legal proceedings commenced prior to completion, excluded book debts (which included amounts owing under excluded contracts, certain receivables, and surrender premium or other receivables concerning the properties located at St Albans, Herts, Perth, Scotland and Balham, London); and intellectual property rights owned by the Seller which did not relate to the Business. Following completion, Bonmarché Limited transferred certain assets to Bluebird UK Bidco 2 Limited. This transfer was completed via book entries in the accounts of Bluebird UK Bidco 2 Limited and is noted in the accounts of Bluebird UK Bidco 2 Limited as an intercompany loan of £3 million, outstanding and owing to Bonmarché Limited; and
- 14.8 pursuant to two facility agreements each dated 14 September 2012 and made between Bonmarché Limited and Barclays, Bonmarché Limited has the following bank facilities with Barclays: (i) an overdraft facility for an amount up to £5,000,000, with a fixed rate interest of 3.2 per cent. per annum to finance working capital and for general corporate purposes. The facility is based on the standard terms of Barclays and is repayable on demand; and (ii) a letter of credit facility for an amount up to £5,000,000, with an arrangement fee of £15,625 per quarter and issuance commission and acceptance commission each at 2.7 per cent. per annum to finance the purchase of goods in the normal course of Bonmarché Limited's business. The facility is based on the standard terms of Barclays and is repayable on demand. Each of the above-referred facilities are secured by fixed and floating charges in Barclays' favour created by a debenture on 26 September 2012 over the undertaking and all property and assets of Bonmarché Limited ("**Debenture**"). The overdraft facility referred to in (i) above is being cancelled upon the commencement of the revolving credit facility with Barclays on Admission,

as described in more detail at paragraph 14.5, but the letter of credit facility at (ii) above will stay in place following Admission.

## **15. CONSENTS**

- 15.1 PricewaterhouseCoopers LLP has given and not withdrawn its consent to the inclusion in this document of its accountants' report in Section A of Part III of this document in the form and context in which it appears and has authorised its report for the purposes of Schedule Two of the AIM Rules for Companies.
- 15.2 Investec has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 15.3 Verdict has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it and to the graphs and market data attributed to it in the form and context in which they appear.

## **16. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES**

Other than as provided by the Takeover Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares of the Company.

**"Interests in shares"** is defined broadly in the Takeover Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

**"Voting rights"** for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the Takeover Code to be acting in concert with each other unless the contrary is established.

For details regarding the Selling Shareholder and other persons presumed by the Panel to be acting in concert with respect to the Group on Admission for the purposes of Rule 9 of the Takeover Code, please refer to paragraph 7.4 of Part IV of this document.

### **16.1 Mandatory bid**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### **16.2 Squeeze out**

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining ten per cent.. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding

Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

### 16.3 **Sell out**

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 17. **GENERAL**

- 17.1 The total costs and expenses of, or incidental to, the Placing and Admission payable by the Company are estimated to be approximately £1,500,000 in aggregate (exclusive of VAT). This amount includes certain of the sums referred to in the Underwriting Agreement referred to in paragraph 14.1.2 of this Part IV. The Company will not receive any proceeds from the Placing. No expenses of the Placing are being specifically charged to purchasers of Ordinary Shares under the Placing.
- 17.2 Save as disclosed in paragraph 9.3.7 of this Part IV, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 17.3 The Placing has been fully underwritten by Investec, which is authorised in the United Kingdom by the PRA and regulated by the FCA and PRA and which is registered in England and Wales under number 00489604 and whose registered office is at 2 Gresham Street, London EC2V 7QP.
- 17.4 The auditors of the Company are PricewaterhouseCoopers LLP, chartered accountants, registered auditors and members of the Institute of Chartered Accountants of England and Wales, whose registered office is 1 Embankment Place, London, WC2N 6RH, who have audited consolidated accounts of Bluebird UK Topco Limited for the first financial period ended 30 March 2013. The audit report was unqualified and did not contain a statement under sections 498 (2) or (3) of the Act.
- 17.5 The information contained in paragraph 4 of Part I relating to the market in which the Group operates has been sourced from Verdict and the Office of National Statistics. This information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by Verdict and the Office of National Statistics, no facts have been omitted which would render such information inaccurate or misleading.
- 17.6 Save as disclosed in Part B of Part III, paragraph 6 of Part I and paragraph 3 of this Part IV, the Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.
- 17.7 The Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Company is dependent.
- 17.8 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

## **18. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of DLA Piper UK LLP at 3 Noble Street, London EC2V 7EE for a period of 14 days from the date of this document:

- 18.1 the Articles;
- 18.2 the historical financial information relating to the Group and the report thereon by PricewaterhouseCoopers LLP, as set out in Part III of this document;
- 18.3 the written consent letter of PricewaterhouseCoopers LLP referred to in paragraph 15.1 of this Part IV;
- 18.4 the written consent letter of Verdict referred to in paragraph 15.3 of this Part IV;
- 18.5 the written consent letter of Investec referred to in paragraph 15.2 of this Part IV; and
- 18.6 a copy of this document.

Dated: 15 November 2013

