

**Bonmarché Holdings plc**

**("Bonmarché" or the "Company" or the "Group")**

**Preliminary Results for the 52 weeks ended 26 March 2016**

Bonmarché, one of the UK's largest women's value retailers, reports its preliminary results for the 52 weeks ended 26 March 2016.

**Financial Highlights:**

- Total revenue up 5.3% at £188.0m (FY15: £178.6m)
- Store like-for-like sales up 0.7% and online sales up 3.6%
- In line with revised expectations, PBT at £9.6m (FY15: £12.4m) and pre-exceptional PBT of £10.6m (FY15: £12.4m)
- Underlying basic EPS of 18.3p (FY15: 20.7p)
- Strong cashflow - cash generated from operating activities £10.5m (FY15: £11.1m)
- Recommend final dividend of 4.64 pence per share, bringing the total dividend for the year to 7.14 pence per share, up 5.0% (FY15: 6.8p)

**Operational Highlights:**

The Bonmarché brand modernisation journey continues to evolve, centred on our five strategic pillars to drive growth: -

- **Brand and consumer:**
  - Increased number of "active" and "high-value, high-loyal" customers in the Bonus Club
  - Launched new partnership with new brand ambassador, Mark Heyes
- **Product development:**
  - Improved size availability, resulting in 15% sales growth across leisurewear, trousers, skirts and lingerie
  - Continued strategic focus on the "de-weathering" of coats and knitwear ranges and new range of clothing developed, "wardrobe favourites"
- **Channels to market:**
  - Opened a net 20 new locations, contributing to £4.7m additional sales
  - Ongoing replacement of store fascias, due for completion FY17
  - Improved stock delivery service to stores
- **Systems and processes:**
  - Electronic Point of Sale (EPOS) technology upgrade on track for completion by late Autumn 2017
- **People and culture:**
  - Ranked 19th in The Sunday Times "Best Large Companies to Work for" survey

**Beth Butterwick, Chief Executive of Bonmarché, commented:**

"Bonmarché's performance for the year has been achieved amidst the difficult trading conditions widely reported across the retail sector. We have emerged from this period with a clear focus on our five key strategic pillars for growth. With significant improvements for the benefits of our customer, we are focused on driving our modernisation plan over the coming year. We firmly believe that with its unique position as a niche retailer, focused on catering for the mature female demographic, Bonmarché is well placed for the future."

**Analyst Meeting**

A meeting for analysts will be held today at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD, commencing at 9.30am.

**Bonmarché Holdings plc**  
Beth Butterwick, Chief Executive  
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**Notes to Editors:**

Bonmarché is one of the UK's largest women's value retailers, focused on selling stylish, affordable, premium quality clothing and accessories in a wide range of sizes, via its own store portfolio, website, mail order catalogues and through the Ideal World TV shopping channel. Established in 1982, Bonmarché has more than 30 years of experience in this growing market segment, operating across the UK.

**Forward looking statements**

Certain statements within this report may constitute “forward looking statements” which relate to all matters that are not historic facts, including anticipated financial and operational performance, business prospects and similar matters. These forward looking statements reflect the Board’s current expectations concerning future events and actual results may differ materially from current expectations or historic results. Any such forward looking statements are subject to risks and uncertainties, including but not limited to, failure by Bonmarché to accurately predict customer fashion preferences, decline in the demand for products offered by Bonmarché, competitive influences, changes in the level of store traffic or consumer spending habits, the effectiveness of Bonmarché’s brand awareness and marketing programmes, general economic conditions or a downturn in the retail industry.

## **CHAIRMAN'S STATEMENT**

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### **INTRODUCTION**

Bonmarché's fundamental proposition is to be the destination multi-channel retailer for women who want age appropriate, stylish, quality clothing at fantastic prices with outstanding service. Whilst the year was challenging, we see strong ongoing demand for what we offer, and those challenges have helped us focus on the need to increase our pace of continuing improvement. We have put in place the strategy and the capability to achieve this.

### **PERFORMANCE FOR THE YEAR**

It was an unusually difficult year. The external trading environment was particularly tough; the shopping habits of Bonmarché's customers are significantly influenced by weather, and for much of FY16 it gave them little reason to make seasonal purchases, which anecdotally has been reflected in the performance of other similar retailers.

I believe that we have learned important lessons from last year and are now focused on implementing self-help measures to improve our performance. We are also ensuring that we adapt to the rapidly changing way our customers see the world – their lifestyles, fashion preferences and ways of browsing and shopping.

We placed much emphasis during the period on continuing to develop the Bonmarché brand and bringing it to the attention of new customers. The majority of our stores are now fronted by updated fascias showing new branding, and we ran a TV advertising campaign during the autumn. 'Bonmarché' continues to be the focus of this brand development, and I am delighted that TV fashion presenter Mark Heyes will be working with us as an ambassador to help tell new customers about us, whilst reinforcing the brand's credentials with existing customers. Improvement to the product range will continue to be pivotal, and I am delighted that Geraldine Higgins joined us as Product Director in January of this year to lead that process.

During last year, we also started to focus on and plan a number of projects to modernise business processes and practices, and improve the capability of our people and systems. The implementation of this business change process will begin this year, and will be a key enabler of the successful delivery of the other parts of our wider strategy.

The financial position of the business continues to be very sound, with no net debt and a balance sheet which provides a stable platform for the future.

Bonmarché's employees have worked tirelessly, and I would like to take this opportunity to thank them for their continued support and hard work.

### **THE BOARD**

On 16 December 2015, we announced that Beth Butterwick would be leaving the Company. Beth's contribution to Bonmarché has been highly valued and I would like to express my thanks for her hard work since joining in 2011. Beth will leave later in 2016 and I wish her well in her future endeavours. I am delighted that Helen Connolly will be joining the Company to lead the business in its next phase of development. Helen has extensive relevant retail experience, most recently working at Asda, where she was Senior Buying Director for the George clothing business. Helen will join the Company and the Board later in the year.

There have been further changes to the Board since the end of the financial year. To support our effective governance as we embark upon the business change programme noted above, Mark McClennon joined us as an independent Non-executive Director on 8 April 2016. Mark is currently Global Vice President for IT at Unilever plc, and I believe that we will benefit enormously from his experience and wisdom as we progress with our business change agenda. On the same date, Sun's nominee director, Sergei Spiridonov, replaced Michael Kalb as a non-independent Non-executive Director. Michael will continue his association with the Company as a Board Observer.

## **CORPORATE GOVERNANCE**

On 19 October 2015 the Company moved from the AIM market to the Official List of the London Stock Exchange. As a consequence we are required to report on how we have applied the principles of the UK Corporate Governance Code 2014 (the 'Code').

Following the step up to the Official List, the Company was required to appoint an additional Non-executive Director to serve on the Board and to comply with the Code requirement in relation to committee membership. Mark McClennon was appointed as an independent Non-executive Director on 8 April 2016 and he has also joined the Remuneration, Audit and Nomination Committees.

The Code's 'comply or explain' approach permits listed companies some degree of flexibility to apply governance principles other than in strict accordance with the Code, for example, to take account of differences in business size and complexity. I believe that we are making good progress towards being fully compliant with the Code, led by our strong and experienced Board.

## **DIVIDEND**

As a sign of its confidence in our ability to navigate these challenging times, the Board is pleased to recommend a final dividend of 4.64 pence per share, bringing the total dividend for the year to 7.14 pence per share, a 5.0% increase over the previous year. If approved by shareholders at the AGM on 28 July 2016, the final dividend will be paid on 5 August 2016 to shareholders on the register on 24 June 2016.

## **OUTLOOK**

The market niche in which we compete continues to represent an opportunity to gain market share from less focused competitors. I believe in our strategy to deliver successfully our five pillars of growth (described further in the CEO report), and in the ability of our colleagues to execute it. The beginning of FY17 has continued to be tough due to poor weather, however our full year expectation is unchanged provided trading conditions normalise.

**John Coleman**

***Chairman***

10 June 2016

## CHIEF EXECUTIVE'S REPORT

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***“Looking back, the external environment has made for a challenging year of trading. However, we have emerged from this period focused on five key strategies that form the pillars of our forward growth and modernisation programme.”***

### INTRODUCTION

Total revenue growth for the full year was 5.3%, from £178.6m to £188.0m. Like-for-like (“LFL”) sales grew by 0.7% and online sales grew by 3.6%. In line with our revised expectations, profit before tax (“PBT”) was £9.6m (FY15: £12.4m), a decrease of 22.9% on the prior year, and underlying PBT (PBT before exceptional items) was £10.6m (FY15: £12.4m), a decrease of 14.5% on the prior year.

The results reflect the challenging trading experienced throughout both the winter and spring seasons, which impacted normal footfall patterns and consumers’ propensity to buy seasonal ranges. However, we have emerged from this tough period focused on five key strategies that form the pillars of our forward growth and modernisation programme. Internally we are now concentrating on several areas where we expect to deliver significant improvements for the benefit of our customers.

The difficult trading conditions, widely reported across the retail sector, made sales growth harder to achieve. It was therefore necessary to place greater emphasis on cost levels, whilst taking care not to reduce investment essential for growth. I have been impressed at our teams’ ability to maintain a tight control on costs particularly through the second half of our financial year, which has mitigated the effect of trading on profitability. The Group’s financial position remains sound and we enter the new financial year with a strong balance sheet.

This is my final Annual Report at Bonmarché, and I am confident that I will leave the business with a robust modernisation plan and a depth of experience and expertise within the business to execute it over the coming years.

### TRADING REVIEW

Sales (in this report we will refer to revenue as ‘sales’) for the year increased by 5.3%, with store-only LFL sales increasing by 0.7%. Our market share (of the UK’s 50+ women’s value clothing market, as measured by Kantar) ended the year at 3.4%, which was a 0.1% decrease on the previous year.

During the first half of the year, sales increased by 6.5% with LFL store sales up 2.0% and online sales up by 4.2%, compared to H1 in the previous year. As has been well reported, the cooler extended summer suppressed demand in traditional categories such as dresses, T-shirts and swimwear and, as a result of this, customers continued to stay away from the high street, which also affected Bonmarché.

In the second half of the year, total sales growth slowed to 4.1%. Store LFL sales declined by 0.6% and online sales grew by 3.1% compared with the previous year. The recurring theme of a lacklustre summer remained a hindrance into the autumn and record mild temperatures were recorded into December. In the early part of the autumn, our strategy to ‘de-weather’ our coats and knitwear departments worked well. However, we had planned for these ranges to reach more normalised volumes by November and due to continued unseasonable conditions this did not materialise. Affected by the same conditions, the competition started implementing heavy discounts from the Black Friday period onwards, which made it harder to achieve sales at normal prices.

Post-Christmas, the final quarter of this financial year started well as we saw LFL sales grow 12.1% during January, due to a strong demand for sale items. However, with the unhelpful effects of a long

period of cold, wet weather this spring, this growth was short-lived as customers lacked the motivation to begin investing in traditional spring clothing. Categories faring well during this period were leisurewear, coats, core trousers and nightwear.

To ensure that stock levels were well controlled, despite the disappointing sales performance, we made appropriate use of discounts, which were higher than the prior year. The negative impact on margin was mitigated by a higher buying-in margin due to improved sourcing and more favourable exchange rates. As a result, the terminal stock level (number of units of the outgoing season's stock carried forward into the following year) was lower than last year, which is important as it minimises the adverse impact of unsold stock from the previous season on trading during FY17.

## FINANCIAL RESULTS

Profit before tax ('PBT') was £9.6m (FY15: £12.4m), a decrease of 22.9% on the prior year. Underlying PBT (PBT before exceptional items) was £10.6m (FY15: £12.4m), a decrease of 14.5% on the prior year. The underlying PBT margin decreased from 6.9% to 5.6%.

The £1m of costs which have been classified as "exceptional" relate to the listing of the Company's shares on the Official List of the Main Market of the London Stock Exchange in October 2015.

The financial results are explained in more detail in the Financial Review.

## STRATEGIC REVIEW

### *Brand: fit for the future*

In my report last year, I made reference to evidence that our customers are embracing the move towards more contemporary clothing styles. A recent 'brand awareness' project confirmed that Bonmarché is known to 84% of our customer demographic, with value, service and comfort being the key observations they make about the brand. On this basis, a key outcome continues to be our focus on delivering a more modern and stylish fashion experience across all our customer touchpoints: stores, online, catalogue, magazine and TV.

We have continued to invest in updating our store portfolio and across other channels we have improved brand consistency with our new logo and introduced more aspirational models and 'lifestyle' images. We continue to improve our online shopping experience, seeking to make the journey for our customers as easy as possible. This work was recognised by the 2015 internet "Which?" survey of online shops, where our customers ranked us joint first (with John Lewis) in the clothing and accessories sector. Our marketing collateral (magazine, catalogue and mailers) has also been updated with a subtle shift towards fresher models and more aspirational 'get the look' outfit suggestions.

The Bonmarché brand modernisation journey continues to evolve and is at the centre of our business strategy. The focus of strategy is on five key drivers:

- **Brand development and customer acquisition** - understanding the evolving attitude of our customers, and harnessing their engagement
- **Products**- modernising our style offer and making relevant our breadth of ranges to suit customers' every-day occasions
- **Channels to market** – enabling our selling channels to facilitate an 'anywhere any time' shopping experience for our customers
- **Systems and processes** – supporting a more fluid, agile, productive business operation

- **People** – harnessing our colleagues’ passion, expertise and talent through an organisation focused on serving this important and growing customer demographic

## 1. Brand development and customer acquisition

Sales from our most loyal customers (“high value, high loyal”) grew by 4% year-on-year, a higher rate of growth than in LFL sales. The significance of this data is that, whilst our loyal customers are still loyal, we must increase our effectiveness in attracting new customers within our target cohort.

In order to improve the appeal of the Bonus Club we have recently introduced new Bonus Club member benefits, including welcome packs and birthday vouchers. In our Scottish region, we are testing a top tier scheme called Diamond Club; with an annual fee of £10, these customers receive benefits such as free delivery and advance notification of new collections. Improving the appeal of Bonus Club to keep it relevant is an important and ongoing activity, but a key priority for the forthcoming year is brand marketing to attract new customers.

To support this initiative, we conducted a regional TV test last autumn, reaching 90 of our stores. Whilst financially there was little measureable upside in the short term, crucially it created an increase in ‘brand awareness’. Our plan is to repeat this on a national scale from September to October 2016. This campaign will be supported by our new brand ambassador, Mark Heyes, a TV fashion presenter who we believe will resonate well with our customers. Mark will be offering style advice to customers through all of our communication channels to enhance further our commitment to helping mature women ‘feel fabulous about themselves’.

## 2. Products

### *Back to Core basics*

Over the last year we have focused on several category initiatives, based on both the external information we receive (Kantar and RetailMap) and internal feedback such as sales patterns, store comments and customer reviews. The foundations of our collections are the “core basic” lines that our customers expect us to offer all year round. Improved size availability has resulted in 15% sales growth across leisurewear, trousers, skirts and lingerie. As an average for the year, our core basics were 90% in-stock across a broad range of customer ‘hero lines’: items she shops for day-in day-out, through the year.

### *The “de-weathering” factor*

Another strategic focus was the de-weathering of our coats and knitwear ranges in the transitional autumn season. The offer at this time comprised fewer options but with a broader selection of lightweight layering; this proved successful between August and October. However, as the mild conditions continued into November, the early successes could not counteract the poor performance of these categories as the weights of the clothing increased in the anticipation of normal winter weather.

### *Offering wardrobe favourites*

We also developed a range of clothing called “wardrobe favourites”. These are individual outfit-building items that customers may use to add to an existing outfit, without having to invest in a two or three item purchase. These lines have been successful with the commercial benchmark being that we had a full price sell-through of 75% across our tops categories, versus an average across our seasonal tops collections of 53%.

### *Seasonal collections*

Whilst we saw good progress in our core and wardrobe favourite categories, we had less success with more seasonal departments, where we repeated best sellers for too long and did not introduce enough 'newness'. Blouses, dresses, and skirts are key examples of where there was insufficient progress. Increasingly, our customers are informing us that, whilst they are not slaves to fashion, they do require the collections and prints to be relevant to colour, print and style trends that they see elsewhere and executed in a more modern cut. Successes with a long, tailored jacket and the growth of our printed trouser range have given us the confidence to increase significantly the pace of modernisation of our range, which is a priority for FY17 and beyond.

### *Brand and designer collections*

Through the David Emanuel range, we tested higher-stretch price points across dresses and coats. This worked best in styles where we had focused on new shapes and fabrics, which points to an opportunity to apply this to the main Bonmarché ranges.

The existing three-year contract with David Emanuel expired at the end of March 2016, at which point we decided to serve notice to terminate the agreement. The arrangement with Mr Emanuel has run for nearly nine years, and I would like to take this opportunity to thank David for his collaboration during that time. The arrangement will formally terminate at the end of September, after which a run-off period will apply to allow for the orderly sale of any remaining David Emanuel-branded stock. The timing of this change dovetails well with the introduction of Mark Heyes as a brand ambassador.

We have continued to test and learn from our Ann Harvey label. Customers have gravitated towards the new, more exciting styles across tops, dresses and knitwear; the extension down into core sizes (14 and 16) has also worked well as has the lower price positioning.

With regards to menswear, as noted in our interim report last November, this is now narrowly focused on 'gifting-orientated' items during the Christmas season.

### *Price positioning*

On pricing, we continue to focus on 'good value' products at the opening and mid-price points. Additionally, we have simplified our price point offer and multi-buy deals ('2 for', '3 for 2', etc.) which have worked well across core products.

### *Supplier partnerships that deliver appealing products*

Other important changes to our forward collections will be a broader offer of new and more interesting fabrics and a subtle leaning towards a more casual end-use clothing offer. Linked to this, a review of our supply base has led to the conclusion that we need to bring in new suppliers (particularly in Turkey and India), that will give us more on-trend fabrics, new styles and the flexibility to test in-season and repeat best sellers though shorter order lead times. As a result of this, we expect our Far East supplier base (in particular China) will reduce by approximately 15%.

## **3. Channels to market**

### *A seamless customer journey*

Our priority in relation to all channels is to improve customers' overall shopping experience and the ease with which they search and purchase. Converting more customers to purchase across multiple channels is important; our Bonus Club data tells us that shoppers who shop both online and in store spend significantly more than customers who shop only in store or only online.



## a) Stores

### *New space*

Our LFL stores, which represent 83.5% of our total sales, delivered 0.7% year-on-year growth. In this year, we opened in 25 new locations which contributed to £4.7m additional sales. Furthermore, we closed five locations. At the end of the financial year, our store portfolio comprised 312 sites, detailed as follows:

	Number at 28 March 2015	Net opened during year	Number at 26 March 2016
Solus Bonmarché stores	265	5	270
Solus Bonmarché stores relocated	n/a	1/(1)	n/a
Garden centre concessions	17	13	30
Other concessions	10	2	12
<b>Total</b>	<b>292</b>	<b>20</b>	<b>312</b>

Overall, the performances of new stores are in line with the investment return targets, with average paybacks within three years for solus stores and one and a half years for concessions. The strategy of opening approximately five new solus stores and approximately 15 concessions/other locations each year will continue. This rate achieves an optimal balance of contributing to growth, being modest enough to be able to remain selective in site location and being able to be funded from operating cash flow.

### *Improving our store experience*

An ongoing focus across our retail estate continues to be small, but important, environment enhancements with the desired outcome being that our customers feel that spending time with us is an enjoyable experience. During 2015, we have replaced the fascias of 140 stores. A further 40 will be replaced during the new financial year, to complete the programme.

Other visual improvements to stores have included: new window displays with more mannequins to 'showcase' product styles and how they fit; more seated areas for accompanying shoppers; modernised till areas with the focus being to de-clutter till points; clearer store information towers in the windows; testing smaller point-of-sale displays and a more up-to-date design of accessory display units.

### *"Customer first"*

We have continued to train and develop our store colleagues, covering a range of customer and product-related topics. Through this year we have measured our ongoing progress using a CSAT programme (online customer satisfaction survey). This continues to provide a net promoter score measure, although the altered methodology of collecting the data means that we will lose the ability to make comparisons with prior years until we have established a history of results using the new method. Nevertheless, we retain the ability to make relative comparisons between stores, which provides a useful tool to help the retail teams focus on detailed aspects of operational improvement. The CSAT replies also provide a broader range of feedback which is beginning to help inform decisions in other parts of the business.

At the beginning of the year we launched a 'personal shopping' service, whereby customers can pre-book an appointment to get style advice for special occasions or outfit building. Average transaction values associated with a personal shopping consultation were £90, compared to £19 for normal transactions.

Benefiting both our customers' experience and store operations, we launched an improved stock delivery service to all stores during Q1. The objective was to improve style choice and size availability on our sales floor by shortening the interval between identifying the need for an item to be replenished, and the item being available for sale. The initiative also introduced out of hours deliveries, so that stock replenishment can take place without inconveniencing customers during busy trading hours. Whilst it is difficult to attribute an accurate sales uplift to this, test stores indicated that there was a sales gain as a result of this operation which more than funded the incremental cost. The benefits of this are likely to be realised to a greater extent over the next two to three years as other system and process improvements further enhance stock availability.

Looking ahead to this year, and with the rising costs as a result of the introduction of the Living Wage, we continue to assess and implement a smarter, more productive way of working whilst protecting our 'service promise'.

#### b) Other channels to market

##### *Online sales*

At the end of this financial year, online sales represented 7.3% of our total sales, which is disappointing. This has been a challenging year for our online operation, which only managed to achieve a £0.5m increase or a 3.6% growth on the prior year. The weakest months were either side of our responsive site implementation in July 2015, and in December when we experienced weak trading following Black Friday, with customers having taken advantage of the plethora of discounts generally available around that event.

The responsive site delivers a better shopping experience when customers use tablet or mobile devices. Its introduction has also enabled us to introduce a tool called "Attract" which more effectively merchandises products for individual customers, based on their purchase profile history. To measure our site effectiveness, we introduced "ForeSee", an online 'mystery shopper' tool that collates customer feedback on their journey experience through our site. This is analogous to the CSAT programme used in stores. Eventually, as we continue on our multi-channel journey, these separate customer feedback programmes will be joined up as part of a more coherent CRM design.

We have continued to simplify and improve our homepage and the look and feel of our site generally. We use AB multivariate testing to ensure that changes that we believe are improvements are also preferred by customers.

##### *Investing in a more fulfilling customer online experience*

Our customers are increasingly digitally savvy, searching, browsing and 'shopping on the go'. Tablets now account for 40% of our online sales, with mobiles growing to 13% and traditional PCs stepping back to 47%.

Ongoing improvements during the forthcoming year include a website re-platform to "Demandware", which with our new EPOS store till system will facilitate an online gift card functionality and more aligned store and online price initiatives such as '2 for' and '3 for 2s'. An improved fulfilment service will enable a later 'next day delivery' cut off and the ability to track parcels.

##### *"Shop your way"*

Supporting our two main channels (stores and online) are a catalogue, TV shopping and a call centre to handle telephone orders. We launched an additional high summer catalogue last year, and the Ideal World TV shopping channel continues to provide exposure for the brand. A new telephone system introduced just before the end of the year will allow our internal call centre team to reduce the incidence of customers abandoning calls due to slow answer response times.

## **4. Systems and processes**

### *2020 customer experience vision*

During the course of this year, we have tested and implemented several physical service improvement initiatives including the delivery improvement mentioned above.

In last year's Annual Report, I noted that we had experienced issues with a project to replace our EPOS system. I am pleased to report that a re-start of work with Oracle has allowed us to continue this critical renewal project and we aim to have rolled out the Retail J system to all stores by the end of the year, which should support an improved customer experience as well as provide the business with greater customer insight.

At the start of the new financial year, we also implemented a new HR system. The benefits are multiple, ranging from more agile payroll functionality, a working hour tracking tool, automated holiday requests and, in the future, an applicant tracking service.

Looking ahead to this financial year, we are currently finalising a 'discovery phase' plan to replace a 20-year-old legacy ERP system. Over the next several years, as modules are introduced, processes and systems will be modernised/introduced in merchandise and allocation planning, PIM (management of product information across all channels), CRM (allowing us to link all store and online customer information to our Bonus Club membership data), and business intelligence.

With a view to ensuring that these programmes are delivered successfully, we have invested in an experienced 'change programme team' alongside building a stronger IT support team. Governance will be further supported by our new Independent Non-executive Director Mark McClennon, who has extensive and deep experience in these matters as a result of a distinguished career at Unilever.

## **5. People**

### *Great people make great companies*

Over the course of last year, we have continued to prioritise attracting new talent to support major strategic initiatives. The main focus for recruitment has been across our creative brand marketing, buying and merchandising, multi-channel, systems change programme and, underpinning our organisation, senior appointments within our HR function.

In conjunction with this, we have continued to evolve and embed our colleague performance and development tool, enabling development review conversations through the year. As we look to our 2020 vision, Bonmarché will attract, develop, retain and reward a team of skilled, motivated and talented colleagues.

### *Employee survey*

In 2015 we moved from using a company culture survey to an employee engagement survey, using "Best Companies". Best Companies compiles the Sunday Times 100 Best Companies to work for Survey. The results of our internal survey provide valuable insight into organisational behaviours which we need to develop or improve to assist in our aim to have the right capability to execute our strategy successfully. The tool provides feedback at an organisational level, and also at a much more granular level, which allows individual managers to identify steps they can take to improve their own performance. The main output of this programme is the diagnostic insight it gives, but in addition I am delighted to report that Bonmarché ranked 19<sup>th</sup> in the 'Best Large Companies to work for' survey.

## **OUTLOOK**

Looking ahead, there will continue to be external factors that affect consumer confidence and the cost of doing business – the EU referendum, rising costs driven by the Living Wage, forex rates, and business rates are all unhelpful macro headwinds. Consumers are also spending a greater proportion of their disposable income on technology and leisure – however we are focused on continuing to provide customers with a compelling reason to shop at Bonmarché. We firmly believe that as a niche retailer, focused on catering for the mature female demographic, Bonmarché is well positioned to continue to grow.

The brand development work we are conducting through the early summer will serve to focus and drive our five key business initiatives and support our modernisation programme, which is core to our growth strategy. I am a firm believer that the key to successfully executing our strategy will be the strong talent of our newly recruited specialists and existing colleagues. Timely delivery of our vision through a continued team focus is our priority in the year ahead.

Trading during the early part of FY17 has continued to be tough due to poor weather, however our full year expectation is unchanged provided trading conditions normalise.

**Beth Butterwick**

***Chief Executive***

10 June 2016

## FINANCIAL REVIEW

The abbreviations "FY16" and "FY15" are used to refer to the 52-week periods ended 26 March 2016 and 28 March 2015, respectively.

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000	Increase/ (decrease) £'000	Increase/ (decrease) %
<b>Income statement</b>				
Revenue	187,963	178,575	9,388	5.3%
Cost of sales	(143,033)	(135,378)	(7,655)	(5.7%)
<b>Gross profit</b>	<b>44,930</b>	<b>43,197</b>	<b>1,733</b>	<b>4.0%</b>
Administrative expenses	(26,572)	(22,855)	(3,717)	(16.3%)
Distribution costs	(8,665)	(7,728)	(937)	(12.1%)
<b>Operating profit</b>	<b>9,693</b>	<b>12,614</b>	<b>(2,921)</b>	<b>(23.2%)</b>
Analysed as:				
Operating profit before exceptional items	10,735	12,614	(1,879)	(14.9%)
Exceptional items	(1,042)	-	(1,042)	(100.0%)
Finance income	49	18	31	172.2%
Finance costs	(184)	(232)	48	20.7%
<b>Profit before taxation</b>	<b>9,558</b>	<b>12,400</b>	<b>(2,842)</b>	<b>(22.9%)</b>
Taxation	(1,783)	(2,504)	721	28.8%
<b>Profit for the period</b>	<b>7,775</b>	<b>9,896</b>	<b>(2,121)</b>	<b>(21.4%)</b>

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000	Increase/ (decrease) £'000	Increase/ (decrease) %
<b>Memo information: Underlying EBITDA and PBT</b>				
Profit before taxation	9,558	12,400	(2,842)	(22.9%)
Exceptional items	1,042	-	1,042	100.0%
<b>Underlying profit before taxation</b>	<b>10,600</b>	<b>12,400</b>	<b>(1,800)</b>	<b>(14.5%)</b>
Net finance costs	135	214	(79)	(36.9%)
Depreciation	3,147	2,529	618	24.4%
Intangibles amortisation	380	379	1	0.3%
<b>Underlying EBITDA</b>	<b>14,262</b>	<b>15,522</b>	<b>(1,260)</b>	<b>(8.1%)</b>
Statutory basic earnings per share (pence)	16.1p	20.7p	(4.6p)	(22.2%)
Underlying basic earnings per share (pence)	18.3p	20.7p	(2.4p)	(11.6%)

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000	Increase/ (decrease) £'000	Increase/ (decrease) %
<b>Other memo information:</b>				
Property lease costs	18,032	17,361	(671)	(3.9%)

## Profit before tax and exceptional items

Group profit before tax ('PBT') was £9.6m (FY15: £12.4m), a decrease of 22.9% on the prior year.

Underlying PBT (profit before tax and exceptional items) was £10.6m (FY15: £12.4m), a decrease of 14.5% on the prior year. The underlying PBT margin decreased from 6.9% to 5.6%.

In FY16, £1m of expenses have been classified as "exceptional" as they related to the listing of the Company's shares on the Official List of the Main Market of the London Stock Exchange in October 2015.

## Revenue

Total revenue grew by 5.3% from £178.6m to £188.0m. Like-for-like ("LFL") sales grew 0.7%. During the year we opened 25 new stores/concessions, relocated 1 store and closed 5 stores, bringing the average number of stores open during the year to 302 (FY15: 276). Online sales grew by 3.6%.

Commentary regarding the general trading performance, the store opening programme and online sales is included in the Chief Executive's Report.

<b>Sales analysis</b>	<b>FY16 £'000</b>	<b>FY15 £'000</b>	<b>Increase/ (decrease) £'000</b>	<b>Increase/ (decrease) %</b>
LFL sales including VAT <sup>1</sup>	188,251	186,881	1,370	0.7%
Net new/closed stores (incl. VAT)	20,678	11,251	9,427	83.8%
Online sales (incl. VAT)	16,523	15,947	576	3.6%
<b>Total sales</b>	<b>225,452</b>	<b>214,079</b>	<b>11,373</b>	<b>5.3%</b>
Other <sup>2</sup>	68	127	(59)	(46.2%)
VAT	(37,557)	(35,631)	(1,926)	(5.4%)
<b>Total revenue</b>	<b>187,963</b>	<b>178,575</b>	<b>9,388</b>	<b>5.3%</b>

*1 Each year, new stores that have been open throughout the previous financial year become classified as 'LFL' stores. Therefore, within the prior year comparative, the split between LFL and new stores alters each year, and the analysis of the FY15 'LFL' sales and 'new store' sales differs from the corresponding analysis shown in last year's Annual Report. The total sales and total revenue figures are unaffected.*

*2 'Other' comprises the net effect of revenue from the wholesale supply of goods to a franchise partner with a single store in Gibraltar, less the value donated to charitable causes, being the proceeds from selling Bonmarché carrier bags.*

## Product gross margin

The product gross margin was 57.3%, 0.1% lower than last year. The two key variables which affected the year-on-year gross margin comparison were the level of discounting and the effects of foreign currency exchange rates.

The more challenging trading conditions experienced during FY16 required the use of more discounts to maintain acceptable rates of sale and closing stock. During the first half of the year, the higher discounting was primarily due to the comparative from the previous year being very low. During the second half of the year, the increase was primarily due to the fact that trading conditions in the year were more difficult than in the prior year.

The impact of the higher discounting was largely offset by exchange rates on stock purchases that were more favourable than during FY15. Bonmarché's policy is to reduce the uncertainty resulting from future currency fluctuations by contracting to buy US Dollars in advance of the date on which they are needed. On average, compared to FY15, the forward contracts which matured during FY16

were committed when the exchange rate more strongly favoured Sterling, particularly during the first half of the year.

The terminal stock position in relation to the 2015 Autumn/Winter season was good, as a result of unusually strong demand for these heavier items of clothing during the fourth quarter. Much of this increased demand was driven by prolonged cold weather, and appropriate discounting of this stock in order to clear units. Although the effect on the FY16 gross margin was detrimental, this low terminal stock position provides a good basis from which to begin the new financial year.

### **Operating expenses and interest**

Underlying operating expenses<sup>(3)</sup> grew in absolute terms by 7.8% year-on-year (FY15 growth on FY14: 8.8%). Expressed as a percentage of turnover, underlying operating expenses increased to 51.5% from 50.3%.

Costs grew principally as a result of these key factors:

- The additional operating costs of the 25 new stores/concessions opened during the year, and the full year impact of the stores opened in the prior year.
- In the distribution operation, volume-related costs increased in line with sales growth, and we also incurred the costs of an initiative introduced to reduce the interval between picking an item for replenishment in store, and the item arriving in store, thereby improving the availability of stock.
- An increase in online marketing costs, resulting from the introduction of the “responsive” website in July 2015. The development costs for this project were treated as operating expenses, and additional paid advertising costs were incurred to maintain sales levels during the changeover.
- Inflationary increases, in particular in relation to payroll. The introduction of the Living Wage will make this a more significant factor during FY17. We will therefore be looking at options to increase productivity, in order to mitigate this inflationary increase.
- In addition to the effect of inflation, central payroll costs increased as a result of headcount increases. It is not envisaged that there will be any further increases in the central headcount during FY17.
- As the capital expenditure programme continued, and due to a first full year of depreciation being charged in relation to the previous year’s capital expenditure, the depreciation charge increased by 24%.

The net interest charge reduced as a result of an increase in interest received on deposits, and the decline in interest charged on finance leases as the leases progress towards maturity.

<sup>(3)</sup> Underlying operating expenses are defined as cost of sales less cost of stock recognised as an expense and included in cost of sales plus administrative expenses and distribution costs, less exceptional items.

### **Exceptional items**

£1m of FY16’s costs have been classified as exceptional, which related to the admission of the Company’s shares to the Official List of the Main Market of the London Stock Exchange in October 2015. There were no costs requiring classification as exceptional during FY15.

### **Tax**

The effective tax rate for FY16 was 18.6%. The tax charge included a £0.4m credit recognised in relation to FY14, following the release of a provision. Without this credit, the effective tax rate would have been 22.9%, 2.9% higher than the statutory rate of 20.0%.

Certain costs of the admission to the Main Market have been treated as disallowable for tax purposes, which increases the effective tax rate. Additionally, parts of Bonmarché’s shopfitting costs are deemed disallowable expenditure in the calculation of capital allowances, which also has the effect of increasing the effective tax rate. The costs of admission to the Main Market had a significantly greater effect in this respect than the disallowable capital expenditure.

## **Earnings per share and dividends**

The statutory basic earnings per share for the year were 16.1 pence (FY15: 20.7 pence). The underlying basic earnings per share (pre-exceptional costs) were 18.3 pence (FY15: 20.7 pence).

The Board is proposing a final dividend in respect of FY16 of 4.64 pence per share (FY15: 4.50 pence per share), making the total dividend for the year 7.14 pence per share, a 5% increase over FY15 (FY15; 6.8 pence per share). If approved by shareholders at the AGM on 28 July 2016, the dividend will be paid on 5 August 2016 to shareholders on the register as at the close of business on 24 June 2016.

## **Cash flow and cash position**

Operating activities generated net cash of £10.5m (FY15: £11.1m), after payment of the £1.0m exceptional costs referred to above.

The Group's cash balance increased by £1.9m to £13.0m (FY15: £11.1m). The cash generated was principally applied to make tax payments of £2.5m, dividend payments of £3.4m and capex payments of £5.0m.

We had expected the year's capex payments to be approximately £9.0m, however £4.0m relating to new stores/relocations, systems/EPOS and visual store improvements which had been forecast for payment during the final quarter will now be paid during FY17. The closing cash position is therefore affected by this timing difference.

## **Stock**

Stock at the year-end was £24.3m (FY15: £24.8m), a 2.0% decrease on last year.

The decrease was because the FY15 closing stock balance was higher than normal. The Chinese New Year disrupts the intake of stock, and its timing in 2015 meant that there was a risk that spring stock intake would be adversely affected. To mitigate this risk, we brought stock in earlier than we would have done ordinarily, and consequently the FY15 closing stock balance was higher than normal. The timing of the Chinese New Year represented less of a risk in 2016, and therefore it was not necessary to take the same mitigating action.

As we open more stores, there is a natural increase in the stockholding requirement. This applied to FY16, but this increase in stock was more than outweighed by effect of the more favourable timing of 2016's Chinese New Year.

## **Capital expenditure**

Investment in property, plant and equipment, and intangible assets during FY16 totalled £5.7m (FY15: £6.3m). The major areas of investment were new stores and concessions, and store refurbishment projects, along with the completion of several smaller IT projects. As noted above, approximately £4.0m of capital expenditure originally planned for late FY16 will now occur in FY17, and the total capital expenditure for FY17 will be approximately £14.0m. This includes the initial expenditure on the business change programme to replace the ERP system, mentioned in the Chief Executive's Report.

**Stephen Alldridge**

*Finance Director*

10 June 2016



## Consolidated income statement

	Note	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Revenue		187,963	178,575
Cost of sales		(143,033)	(135,378)
<b>Gross profit</b>		<b>44,930</b>	<b>43,197</b>
Administrative expenses		(26,572)	(22,855)
Distribution costs		(8,665)	(7,728)
<b>Operating profit</b>	2	<b>9,693</b>	<b>12,614</b>
Analysed as:			
Operating profit before exceptional items		10,735	12,614
Exceptional items	3	(1,042)	-
Finance income		49	18
Finance costs		(184)	(232)
<b>Profit before taxation</b>		<b>9,558</b>	<b>12,400</b>
Taxation	4	(1,783)	(2,504)
<b>Profit for the period</b>		<b>7,775</b>	<b>9,896</b>
<b>Earnings per share (pence)</b>			
Basic	5	16.1	20.7
Diluted	5	15.7	19.8

## Consolidated statement of comprehensive income

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
<b>Profit for the period</b>	<b>7,775</b>	<b>9,896</b>
Other comprehensive		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges		
- fair value movements in other comprehensive income	4,326	5,848
- transfer from cash flow hedge reserve to profit or loss	(3,508)	923
Tax on cash flow hedges	(164)	(1,438)
Total other comprehensive income for the period	654	5,333
<b>Total comprehensive income for the period</b>	<b>8,429</b>	<b>15,229</b>

## Consolidated balance sheet

	As at 26 March 2016 £'000	As at 28 March 2015 £'000
<b>Non-current assets</b>		
Property, plant and equipment	14,488	12,809
Intangible assets	3,163	2,943
Deferred tax asset	118	86
<b>Total non-current assets</b>	<b>17,769</b>	<b>15,838</b>
<b>Current assets</b>		
Inventories	24,295	24,794
Trade and other receivables	14,880	15,001
Cash and cash equivalents	13,001	11,059
Derivative financial instruments	4,780	3,963
<b>Total current assets</b>	<b>56,956</b>	<b>54,817</b>
<b>Total assets</b>	<b>74,725</b>	<b>70,655</b>
<b>Current liabilities</b>		
Trade and other payables	(38,098)	(37,256)
Financial liabilities	(210)	(202)
Current taxation payable	(1,008)	(1,666)
<b>Total current liabilities</b>	<b>(39,316)</b>	<b>(39,124)</b>
<b>Non-current liabilities</b>		
Other payables	(1,518)	(2,459)
Financial liabilities	(415)	(617)
Deferred tax liabilities	(1,276)	(1,189)
<b>Total non-current liabilities</b>	<b>(3,209)</b>	<b>(4,265)</b>
<b>Total liabilities</b>	<b>(42,525)</b>	<b>(43,389)</b>
<b>Net assets</b>	<b>32,200</b>	<b>27,266</b>
<b>Equity</b>		
Share capital	500	500
Share premium	1,496	1,496
EBT reserve	(1,265)	(1,249)
Cash flow hedge reserve	3,824	3,170
Retained earnings	27,645	23,349
<b>Total equity</b>	<b>32,200</b>	<b>27,266</b>

## Consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	EBT reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 29 March 2014		500	1,496	(1,187)	(2,163)	15,372	14,018
Profit for the period		-	-	-	-	9,896	9,896
Cash flow hedges							
- fair value movements in other comprehensive income		-	-	-	5,848	-	5,848
- transfer from cash flow hedge reserve to profit or loss		-	-	-	923	-	923
Tax on cash flow hedges		-	-	-	(1,438)	-	(1,438)
Total comprehensive income for the period		-	-	-	5,333	9,896	15,229
Share-based payment reserves credit		-	-	-	-	251	251
Purchase of own shares for EBT		-	-	(62)	-	-	(62)
Equity dividends paid	6	-	-	-	-	(2,170)	(2,170)
Balance at 28 March 2015		<b>500</b>	<b>1,496</b>	<b>(1,249)</b>	<b>3,170</b>	<b>23,349</b>	<b>27,266</b>
Profit for the period		-	-	-	-	7,775	7,775
Cash flow hedges							
- fair value movements in other comprehensive income		-	-	-	4,326	-	4,326
- transfer from cash flow hedge reserve to profit or loss		-	-	-	(3,508)	-	(3,508)
Tax on cash flow hedges		-	-	-	(164)	-	(164)
<b>Total comprehensive income for the period</b>		-	-	-	<b>654</b>	<b>7,775</b>	<b>8,429</b>
Share-based payment reserves debit		-	-	-	-	(44)	(44)
Purchase of own shares for EBT		-	-	(16)	-	-	(16)
Equity dividends paid	6	-	-	-	-	(3,435)	(3,435)
<b>Balance at 26 March 2016</b>		<b>500</b>	<b>1,496</b>	<b>(1,265)</b>	<b>3,824</b>	<b>27,645</b>	<b>32,200</b>

## Consolidated statement of cash flows

	Note	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	7	13,204	13,519
Interest paid		(128)	(204)
Tax paid		(2,549)	(2,209)
<b>Net cash generated from operating activities</b>		<b>10,527</b>	<b>11,106</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(4,342)	(6,411)
Purchases of intangible assets		(647)	(63)
Interest received		49	16
<b>Net cash used in investing activities</b>		<b>(4,940)</b>	<b>(6,458)</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares for EBT		(16)	(62)
Dividends paid	6	(3,435)	(2,170)
Proceeds from finance lease arrangements		-	596
Capital element of finance lease rental payments		(194)	(175)
<b>Net cash used in financing activities</b>		<b>(3,645)</b>	<b>(1,811)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,942</b>	<b>2,837</b>
Cash and cash equivalents at beginning of the period		11,059	8,222
<b>Cash and cash equivalents at the end of the period</b>		<b>13,001</b>	<b>11,059</b>

## Reconciliation of net cash flow to movement in net cash

	Note	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
<b>Opening net cash</b>		<b>10,240</b>	<b>7,825</b>
Net cash inflow from activities		1,942	2,837
Decrease / (increase) in debt financing		194	(422)
<b>Movement in net cash</b>		<b>2,136</b>	<b>2,415</b>
<b>Closing net cash</b>	8	<b>12,376</b>	<b>10,240</b>

## 1 Basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, does not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The financial information is derived from, and consistent with, the Group's financial statements for the 52 weeks ended 26 March 2016 ('Annual Report 2016') and has been agreed with the auditors for release. The Annual Report 2016 includes an unqualified audit report and does not contain any statement under s498 of the Companies Act 2006. The Annual Report 2016 will be filed with the Registrar of Companies in due course and will be available to shareholders from 28 June 2016.

The Group financial statements have been prepared on the going concern basis and in accordance with IFRS and IFRS Interpretations Committee ('IFRS IC') interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Group financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial assets and financial liabilities at fair value through profit and loss. The Group financial statements are presented in thousands of Pounds Sterling ('£'000') except when otherwise indicated. Accounting policies have been consistently applied to all financial periods presented. The accounting period of the Group ends on the Saturday falling nearest to 31 March each year. In some years this requires 53 weeks to be reported. The accounting periods in these financial statements are the 52 weeks ended 28 March 2015 and the 52 weeks ended 26 March 2016.

The preparation of the Group financial statements 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.

## 2 Operating profit

Operating profit is stated after (crediting)/charging:

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Share-based payment (credit) / charge	(44)	251
Depreciation of property, plant and equipment		
- owned	2,926	2,322
- held under finance lease	221	207
Amortisation of intangible assets	380	379
Operating lease payments		
- plant and machinery	401	379
- land and buildings	18,032	17,361
Rent free amortisation	(1,382)	(1,286)
Loss on disposal of property, plant and equipment	177	34
Loss on disposal of intangible assets	47	-
Foreign exchange gains	(773)	(975)

### 3 Exceptional items

Items that are material either because of their 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. The exceptional items as detailed below have been included in administrative expenses in the income statement.

Exceptional items comprise:

	Footnote	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Legal and professional fees	a	1,042	-

#### Footnotes

a Legal and professional fees comprise costs incurred in relation to the admission of Bonmarche Holdings plc to the Official List of the London Stock Exchange on 19 October 2015.

### 4 Taxation

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Current tax:		
Current tax on profits for the period	2,295	2,736
Adjustments in respect of prior periods	(403)	(291)
<b>Total current tax</b>	<b>1,892</b>	<b>2,445</b>
Deferred tax:		
Origination and reversal of temporary differences	(128)	43
Adjustments in respect of prior periods	-	62
Changes in tax rate	19	(46)
<b>Total deferred tax</b>	<b>(109)</b>	<b>59</b>
<b>Tax expense reported in the consolidated income statement</b>	<b>1,783</b>	<b>2,504</b>

#### 4 Taxation (continued)

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:

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Profit before tax	<b>9,558</b>	<b>12,400</b>
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 20% / 21%	1,912	2,604
Tax effects of:		
Other timing differences	(92)	123
Expenses not deductible for tax purposes	347	52
Effects of changes in tax rate	19	(46)
Adjustments in respect of prior periods	(403)	(229)
<b>Tax charge</b>	<b>1,783</b>	<b>2,504</b>

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 2015 on 8 July 2015. These include a reduction to the main rate to reduce the rate to 19% from 1 April 2017, and a further reduction to 18% from 1 April 2020.

#### 5 Earnings per share

	52 weeks ended 26 March 2016	52 weeks ended 28 March 2015
Profit attributable to ordinary shareholders (£'000)	7,775	9,896
Basic earnings per share (pence)	16.1	20.7
Diluted earnings per share (pence)	15.7	19.8

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

For the calculation of basic and diluted earnings per share, the weighted average number of shares excludes the general shares (i.e. not jointly owned shares) held by the Employee Benefit Trust. For the calculation of diluted earnings per share only, the weighted average number of shares in issue is further adjusted to assume conversion of all potentially dilutive ordinary shares. These represent the unvested Restricted Shares and the shares granted under the FY16 Long Term Incentive Plan.



## 5 Earnings per share (continued)

	52 weeks ended 26 March 2016 Number	52 weeks ended 28 March 2015 Number
Weighted average number of ordinary shares in issue	50,018,150	50,018,150
Less: shares held by the Employee Benefit Trust (weighted average)	(383,878)	(128,069)
Weighted average number of shares for calculating diluted earnings	49,634,272	49,890,081
Weighted average number of potentially dilutive share awards	(1,380,112)	(2,173,433)
Weighted average number of shares for calculating basic earnings	48,254,160	47,716,648

### Underlying earnings per share

The Directors have also chosen to present an alternative earnings per share measure, with profit adjusted for exceptional items, as in their opinion it better reflects the Group's underlying performance. For the purposes of this measure, underlying profit is as follows:

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Profit attributable to ordinary shareholders	7,775	9,896
Exceptional items	1,042	-
Underlying profit attributable to ordinary shareholders	8,817	9,896

	52 weeks ended 26 March 2016 Pence	52 weeks ended 28 March 2015 Pence
Underlying basic earnings per share (pence)	18.3	20.7
Underlying diluted earnings per share (pence)	17.8	19.8

## 6 Dividends

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
<b>Equity - ordinary</b>		
Final dividend of 4.5 pence per share (2015: 2.1 pence per share)	2,219	1,038
Interim dividend of 2.5 pence per share (2015: 2.3 pence per share)	1,216	1,132
Dividends paid during the period	3,435	2,170

The Directors have proposed a final dividend of 4.64 pence per share amounting to a dividend of £2.3m in respect of the 52 weeks ended 26 March 2016. It will be paid on 5 August 2016 to shareholders on the register of members as at the close of business on 24 June 2016, subject to approval of shareholders at the Annual General Meeting to be held on 28 July 2016. In line with the requirements of IAS 10 'Events after the reporting period', this dividend has not been recognised within these results.

## 7 Cash generated from operations

	52 weeks ended 26 March 2016 £'000	52 weeks ended 28 March 2015 £'000
Profit before tax	9,558	12,400
Adjustments for:		
- Depreciation	3,147	2,529
- Amortisation of intangible assets	380	379
- Loss on disposal of property, plant and equipment	177	34
- Loss on disposal of intangible assets	47	-
- Share-based payment (credit) / debit	(44)	251
- Net finance costs / income	135	214
- Decrease / (increase) in inventories	499	(2,663)
- Increase in trade and other receivables	(56)	(1,435)
- (Decrease) / increase in trade and other payables	(639)	1,810
<b>Cash generated from operations</b>	<b>13,204</b>	<b>13,519</b>

## 8 Analysis of net cash

	26 March 2016 £'000	28 March 2015 £'000
Cash and cash equivalents	13,001	11,059
Finance lease liabilities	(625)	(819)
<b>Net cash</b>	<b>12,376</b>	<b>10,240</b>