**21 November 2016**

**Bonmarché Holdings plc**

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

**Unaudited Interim Results**

**26 week period ended 24 September 2016**

Bonmarché, one of the UK's largest women's value retailers, reports its unaudited interim results for the 26 week period ended 24 September 2016.

**Financial Highlights:**

- Total revenue of £93.1m (H1 FY16: £97.0m)
- Store-only LFL sales down 8.6% for H1
- Online sales down 1.1% for H1 but increased by 2.3% in Q2
- 30bps increase in product gross margin, despite higher discounting
- In line with revised expectations, profit before tax of £2.0m, £2.5m on a pre-exceptional basis (H1 FY16: £5.4m, £6.4m on a pre-exceptional basis)
- Basic EPS was 3.1p, 4.2p on a pre-exceptional basis (H1 FY16: 8.4p, 10.5p on a pre-exceptional basis)
- Inventories £24.8m compared to £25.3m at the end of H1 FY16
- Net cash of £9.8m at the half year end (H1 FY16: £18.6m)
- Capex payments increased from £1.5m to £7.3m as a result of our investments in new retail space and systems
- Interim dividend of 2.5 pence per share (H1 FY16: 2.5 pence)

**Operational Highlights:**

- Product proposition improvements now visible, with encouraging recent performances from coats and knitwear
- Bonmarché's internal model "sweetspot" customer profile simplified from four personas to one – "Lisa"
- National TV advertising campaign launched September 2016
- Opened 12 new stores/concessions and relocated three
- Completed programme to replace fascias in all stores
- Rollout of new EPOS system completed early October 2016
- New "Demandware" web platform launched at the end of H1
- Launched programme to replace 20 year old ERP system

**Helen Connolly, Chief Executive of Bonmarché, commented:**

"I believe that Bonmarché has significant potential to grow as a retailer serving the 50 plus women's value clothing market, a belief that has strengthened with my continued exposure to the business. Work has already begun, to modernise and simplify our operations and improve basic disciplines - key foundations for the more strategic priorities of developing the customer proposition and improving customer journeys.

I have been encouraged by the enthusiasm and commitment of the Bonmarché team, and remain confident that despite the difficult trading conditions, the business will resume growth during FY18."


| | |
|---|---|
| **Bonmarché Holdings plc**<br>Helen Connolly, Chief Executive<br>Stephen Alldridge, Finance Director | c/o FTI +44 (0)20 3727 1109 |
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**Notes to Editors:**

Bonmarché is one of the UK's largest women's value retailers, focused on selling stylish, affordable, quality clothing and accessories in a wide range of sizes, via its own store portfolio and online. Established in 1982, Bonmarché has more than 30 years of experience in this growing market segment, operating across the UK.

## Chief Executive's Statement

## Financial results

Total revenue for the first half of the financial year was 4% lower than for the equivalent period last year. The profit before tax was £2.0m, £2.5m on a pre-exceptional basis (H1 FY16: £5.4m, £6.4m on a pre-exceptional basis).

| **Profit & Loss Summary** | **H1 FY17 £m** | **H1 FY16 £m** | **Change** |
|---|---|---|---|
| **Revenue** | **93.1** | **97.0** | **(4.0%)** |
| *Product gross margin %* | *57.8%* | *57.5%* | *30bps* |
| *Underlying operating expenses %* | *55.1%* | *50.8%* | *(430bps)* |
| PBT | 2.0 | 5.4 | (63.7%) |
| **Underlying PBT** | **2.5** | **6.4** | **(61.6%)** |
| *Underlying PBT margin %* | *2.6%* | *6.6%* | *(400bps)* |
| *Tax %* | *22.4%* | *25.1%* | *270bps* |
| Basic EPS | 3.1p | 8.4p | (63.1%) |
| Underlying basic EPS | 4.2p | 10.5p | (60.0%) |
| **Interim dividend** | **2.5p** | **2.5p** | **0.0%** |

*Sales*

During the first half of the year, store-only like-for-like ("LFL") sales declined by 8.6%, with a decline of 8.1% for the first quarter and 9.0% for the second quarter.

Sales from new stores, opened last year, increased from £1.0m to £4.6m, and from the 15 new stores/concessions opened during H1 of this financial year, sales were £2.9m (see table below).

During H1 FY17, online sales declined by 1.1% compared to last year, with a decline of 2.7% during the first quarter, and growth of 2.3% in the second quarter. The factors affecting store sales, described below, affected online sales similarly throughout the period. However, compared to the prior year, the online growth for July and August was significantly higher than in the stores, due to the disruption experienced in July 2015, relating to the launch of the responsive website.

| **Sales analysis (£m, incl. VAT)** | **H1 FY17** | **H1 FY16** | **FY17 vs. FY16** | **% increase/ (decrease)** |
|---|---|---|---|---|
| LFL sales | 95.0 | 103.9 | (8.9) | (8.6%) |
| Stores opened in FY16 | 4.6 | 1.0 | 3.6 | 340.6% |
| Stores opened in FY17 | 2.9 | 0.0 | 2.9 | 100.0% |
| Stores closed during H1 FY17 | 1.1 | 3.1 | (2.0) | (64.9%) |
| Online | 8.1 | 8.2 | (0.1) | (1.1%) |
| **Total sales (per LFL calculation)** | **111.7** | **116.3** | **(4.6)** | **(3.9%)** |
| VAT & other adjustments | (18.6) | (19.3) | 0.7 | (3.6%) |
| **Total revenue (per accounts)** | **93.1** | **97.0** | **(3.9)** | **(4.0%)** |

Market conditions continue to be very difficult. Data from the ONS suggests that apparel sales have been weak despite overall retail spending levels being reasonably robust. Its figures for September indicated that retail spending in the UK grew by 2.9%, while sales of textiles, clothing and footwear declined by 5.0%. According to Kantar's data for the 26 weeks ended 24 September 2016, Bonmarché's share of the 50 plus womenswear market declined slightly, from 3.3% to 3.2%. Although this loss in market share is small, Bonmarché's objective is to gain share of this market, and therefore these figures are disappointing.

Sales were affected by certain basic retail disciplines not being sufficiently co-ordinated or robust, and the fact that there were parts of the plan which were not executed to the desired standard; these have been dealt with or are being addressed as part of future planning:

- Customers have provided more positive responses to updated products however within the ranges, there were too many repeats from previous seasons, which slowed sales in certain categories – t-shirts and tops in particular.
- There were some high volume product lines across various categories, which, whilst not a *repeat* of a previous line, had not moved on enough compared to the previous season's equivalent.
- Long lead times and a supply chain too dominated by Chinese factories restricted the ability to react to changes in seasonal demand and product handwriting.

There were also some external factors which have had a negative impact on sales. Firstly BHS, a significant competitor, went into administration in April 2016. Over the following months it cleared its residual stock at discounted prices prior to closing its stores, which affected Bonmarché's sales, particularly in late April and May 2016.

Also, as previously reported, the weather was a major variable which adversely affected performance during the first half. Summer 2016 was characterised by weather which was generally too cool during May, June and July to create demand for seasonal basics such as t-shirts, and then the warm weather during September delayed sales of product, such as coats, planned for the beginning of the autumn/winter season. However, the warm September weather resulted in effective clearance of much of the remaining summer stock, albeit at discounted prices. We were pleased to have held slightly fewer units of spring/summer season terminal stock than at the end of September last year, despite the poor summer season and increased number of stores.

*Gross margin and operating expenses*

The product gross margin was 57.8%, 30bps higher than last year. Whilst discounting levels were higher during the first half of FY17 than in the corresponding period last year, this was more than offset by a higher bought-in margin percentage (the margin before discounts), despite a slight rise in the cost of hedged dollars. Our anticipated dollar requirements for the remainder of this year are fully covered by forward contracts, as is approximately 80% of the expected requirement for FY18.

The increase in bought-in margin was a result of some increases in selling prices, and a reflection of the low-cost supply base. Although the low cost supply base is beneficial in delivering high bought-in margins, it is also inflexible; we address this further within the product proposition section of the Strategy Update below.

Costs were well controlled, however underlying operating expenses increased by 4.3% year-on-year and as a percentage of turnover, from 50.8% to 55.1%.

The increase in costs was due to our investment in new retail space, marketing, the new EPOS system, and general inflationary pressures (including the introduction of the National Living Wage):

- Since the end of H1 last year we have opened 19 new stores/concessions, the additional operating costs of which were £1.2m.
- The National Living Wage added £0.6m to our costs in H1; £0.2m of this was mitigated through productivity savings.

- Occupancy cost inflation added £0.4m to expenses, although the rent component of the increase was only £0.1m, representing an average increase of 0.9% when expressed as a proportion of the total rent charge.
- In the autumn of 2015 we tested a TV advertising campaign in northern regions, at a cost of £0.5m. This year, a larger campaign was undertaken nationally, at a cost of £1m, an increase of £0.5m; this is discussed in more detail in the Strategy Update below.
- The ongoing licence/support costs of the new EPOS system are £0.2m per annum higher than for the old system which, due to its age, was almost licence free. During the period, there was also a one-off implementation cost of £0.4m to train store colleagues, which has been classified as an exceptional cost.

The PBT margin declined on an underlying basis from 6.6% to 2.6% (on a statutory basis: from 5.6% to 2.1%), as a result of the sales decline and operating cost changes highlighted above.

## Net cash

We indicated previously that this year's capex is expected to be significantly higher than in previous years as a result of our investment in systems, as well as the ongoing store opening programme, and accordingly, payments during the period were £7.3m compared to £1.5m during the corresponding period last year. As a result, there was a net cash outflow of £2.6m during the period.

Our net cash position at the half year-end was £9.8m, £0.8m higher than estimated at the time of our September trading statement. This compared to £18.6m last year, which as noted at the time, was unusually high due to the timing of certain payments, and because capex was being incurred later than expected.

The Company continues to be supported by a £10.0m revolving credit facility, which is currently undrawn.

## Strategy update

Following my arrival as Chief Executive in August, my priorities have been to get to know the business, review the strategy, and implement short term measures necessary to improve current performance.

I believe that the direction of travel is right, but that the effectiveness of execution needs to improve. My plans will therefore focus on improving the clarity of the customer proposition, and operational improvements in all channels, rather than a major strategic repositioning. This update provides an indication of the strategic priorities, which are an evolution of what has gone before.

As I have listened to colleagues around the business, some consistent themes have emerged: there needs to be a clearer focus on basic operational disciplines; we need to focus more effectively on the major tasks which will deliver most value and scale back peripheral activities which could be a distraction; and we need to ensure that different functions of the business operate more cohesively together. None of these issues are insurmountable, and progress is already being made to address and improve all of these areas.

## Brand development and customer acquisition

This strategic pillar is about acquiring new customers, and nurturing the loyalty of existing ones. We have previously talked about: TV advertising; the Bonus Club loyalty programme; and the introduction of TV fashion presenter Mark Heyes as a brand ambassador.

*Simplified customer profile, "Lisa"*

Bonmarché's target market remains unchanged: women aged 50+. One of the things which makes us different is our understanding of, and focus on, the needs of this group, particularly in terms of style, fit and quality. For internal planning purposes, we have previously defined "model" customers with reference to four personas – "Susan", "Linda", "Margaret" and "Joan". We have now changed this internal guidance to refer to a single persona ("Lisa"). "Lisa" represents the sweetspot of our aim; we will continue to offer more traditional lines but their proportion of the range will reduce progressively, as we become comfortable that our existing customers are buying into the "sweetspot" product which will ultimately comprise of more modern lines with broad appeal to our target market. This refocus on a single persona is a key development, which will help our colleagues more easily understand the audience we are seeking to address, in all areas of the business.

*Increasing brand awareness*

During late September/early October, we ran a 3 week national advertising campaign using TV, radio and print media, designed to tell potential customers about Bonmarché. This followed a test carried out in northern regions at the same time last year, which created an increase in awareness of the brand in those regions. As with the test last year, we did not set out to create a short term spike in sales, but to attract new customers with a long term value. Two of the indicators of success for this advertising are "brand awareness" (i.e. the extent to which customers are able to recall or recognise the brand), and traffic to our website. Our brand awareness score among women aged 50+ increased from 85.6, when measured on 19 September before the advertising began, to 95.0 on 25 October after it ended (the average within our category is 89.0). Website traffic increased by 35.1% during the three week campaign. Although it will take longer to determine the value and longevity of this reaction, which also coincided with more seasonally appropriate weather, the initial indicators seem positive.

Our relationship with Mark Heyes is in its infancy, but our impression is that this arrangement will be beneficial for the brand. Mark currently features on the home page of our website, in our catalogue, and in other promotional material. He has an intuitive understanding of "Lisa", which was evident at a recent press event, hosted to showcase the new season's ranges. We believe that there is the potential to generate significant positive consumer-facing media coverage with Mark's help, and to develop content for our website which customers will find engaging.

*Nurturing the Bonus Club loyalty scheme*

The Bonus Club loyalty scheme is an important part of how we retain customers, and should provide us with insight to make better informed decisions. As we develop the new strategy, more emphasis will be placed on nurturing this asset. Over recent years, developments have been incremental, but we must ensure that the Bonus Club remains relevant, particularly as the ways in which customers interact with us become more complex due to the development of multi-channel shopping habits. Previously, we would have considered Bonus Club's relevance primarily by reference to membership benefits; we now increasingly also think about how Bonus Club forms part of the "customer journey" and how we can more effectively use its data. We will update further on this in due course.

## Product Proposition

*Driving modernisation*

In the FY16 Annual Report we talked about "core basic" product lines, reducing the extent to which ranges are dependent on seasonally appropriate weather, wardrobe favourites, seasonal collections and modernisation. All of these continue to represent areas of focus, but the theme we continue to be most focused on is modernisation, combined with improved execution.

In January of this year, we were delighted to welcome Geraldine Higgins as Product Director, who brought with her extensive experience from her previous roles, most recently as Brand Director at Monsoon. The spring/summer ranges had been planned and largely committed to when Geraldine joined, and the extent to which she was able to contribute her own direction to these was therefore limited. Her influence on the autumn/winter ranges was more marked and we are encouraged by customers' reaction to the ranges thus far.

*"Buy now, wear now"*

As already noted, the summer weather patterns did not favour sales of the staple summer stock, which formed a large part of our ranges. These relied too heavily on a *need* being created by seasonal weather, and when we refer to the need to improve execution in this area, one of the requirements is to make the ranges more desirable, so that more purchases are made as a result of customers *wanting* an item. Linked to this, we have observed that customers are increasingly buying for immediate wear, instead of buying in anticipation of wearing later in the season (we refer to this as "buy now, wear now"); we are changing our buying decisions to reflect this alteration in consumer behaviour. These steps will not fully overcome the effect of seasonally inappropriate weather, but we believe will help mitigate it.

*Offering value for money*

There is no change in how we see our price positioning juxtaposed with the rest of the market, but we need to sharpen our execution of this, a facet of which is to improve our alignment of pricing to value. For example, where we offer a line which is unique and has very strong appeal, compared to the competition, it may attract a price at the higher end of our price architecture – whilst still representing excellent value for money. By contrast, there will be certain lines which are relatively undifferentiated from the competition, but which we must stock to maintain the credibility/authority of our overall offer; in such instances, pricing may be at the lower end of the price hierarchy – again, representing excellent value for money.

*Flexibility of supply chain*

Another important area of focus is to increase the flexibility of our supply chain. We work with many very good suppliers, but our supply chain lacks agility. One of the consequences of this inflexibility is that it has been harder for us to react to periods of unseasonal weather or changing market trends. As with the other improvements we will be making to the overall proposition, a more flexible supply chain cannot eliminate the impact of a poor season, but it is another step to be taken in mitigation.

As we evolve our supply chain, our objective will be to maximise the cash margin. To allow this, we will take a more flexible approach, as appropriate, to the components of sales volumes, selling prices, bought in margin and discounts. The optimal solution may, for example, involve a reduction in bought in margin, to the overall benefit of cash margin, through higher sales and lower discounts.

*Ann Harvey and menswear*

We are continuing for the time being to maintain Ann Harvey as a sub-brand, offering larger-sized clothing, in key stores and online. This remains a small part of the business; during the first half of the year it represented 1.2% of sales.

As part of streamlining the business to focus on the initiatives likely to most contribute to growth, we shall discontinue the menswear trial once the Christmas season collection is sold through. Whilst this was an interesting initiative to trial, borne out of requests from customers, it lacks sufficient potential to justify its space in stores and the resource required to effectively execute it. During H1 of FY16, it represented just 0.6% of sales.

## Channels to market

*Store and concession portfolio*

During the period we opened 15 new stores/concessions (including 3 relocations) and closed eight – analysed in the table below. The performances of the new stores overall meet our key investment criterion, which is payback. The target is to achieve payback within three years or less for solus stores, and one and a half years or less for concessions.

Our previously stated aim of opening approximately five new solus stores and 15-20 garden centre or other concession locations, each year, is unchanged. Our expectation for the current financial year is that we will open four solus stores and 18 concessions.

| Number of stores | **As at 26 Mar 2016** | Opened | Closed | **As at 24 Sep 2016** |
|---|---|---|---|---|
| Solus Bonmarché stores | **270** | 3 | (3) | **270** |
| Solus Bonmarché stores relocated | **n/a** | 3 | (3) | **n/a** |
| Garden centre concessions | **30** | 5 | 0 | **35** |
| Other concessions | **12** | 4 | (2) | **14** |
| Total | **312** | 15 | (8) | **319** |

An enduring benefit of the restructuring of the store estate which took place during 2012 is that lease terms are flexible. As we have renewed leases, and opened new stores and concessions, we have ensured that this flexibility is retained, and most leases have unbroken terms of less than 5 years. As our requirements change, or as store performances alter, this flexibility enables us to close stores if they become unprofitable, and during the first half of the year we closed three solus stores and two concessions.

There are currently six stores/concessions which do not make a profit (measured by reference to store EBITDA). Three of these will close within the next 12 months if performance does not improve, and a fourth will either benefit from a rent reduction to make it profitable, or will also close. The remaining two are expected to become marginally profitable during FY18 but we will continue to monitor performance closely.

We have completed the replacement of the fascias in the remaining 40 stores, having begun a programme covering the whole estate in FY15. All stores now have the new fascia/store-front, with the exception of two where obtaining planning permission is delaying completion, and 11 which are excluded from the programme due to potential relocation/lease expiry.

Other incremental changes to stores included improvements to wall feature displays. New fashion rails to modernise the look and feel of our stores are planned for rollout next spring.

In FY16 we introduced a programme to track customer satisfaction scores ("CSAT"). The scores have improved from 69.8% in November 2015 to 75.7% in October 2016. The retail team has driven this through focused service action plans, daily visibility of store visits and results, and personal one to one follow up calls with customers to resolve major issues. To complement the CSAT programme, we use monthly mystery shopper visits to monitor the 30 stores with the lowest service scores, to ensure that we can effectively take remedial action where it is needed. The CSAT programme responses also provide a source of product feedback which is beginning to help inform buying decisions.

During the first half of the financial year, through productivity improvements, we were able to mitigate £0.2m of the £0.6m additional store payroll cost due to the National Living Wage. In FY18, we will implement additional productivity improvements, which should mitigate most of the effect of the further increase in the National Living Wage expected to be introduced at the beginning of the financial year.

*Online*

As noted above, the online sales performance during the period was poor. A number of factors have caused this, and these are being or will be addressed as we move through the implementation of our plans.

We believe that the most significant factor has been the same as that which affected the bricks and mortar store estate, i.e. the poor external trading conditions combined with a summer product proposition too heavily geared towards seasonal basics. However, there are also factors specific to the online operation.

The first of these factors was the Venda website, which was becoming an increasing barrier to progress. We noted in the FY16 Annual Report that we planned to replace this platform during FY17, and I am pleased to report that at the end of September, we successfully completed the move to a new "Demandware" platform. Transitioning to the platform has brought immediate benefits: the customer journey is simpler and easier, the site responds faster, and we have seen the checkout abandonment rate improve. Having implemented the new platform, we can begin to use the tools which are native to it, such as sort rules which after several weeks will learn behaviours, and optimise the presentation of merchandise accordingly.

Alongside the launch of the Demandware platform, we have introduced improved delivery options for customers, most notably free returns by mail or to store; previously, returns to a store were free but customers had to pay to post returned parcels.

We have made good progress in improving the online operation, but there is much still to do. Along with the other parts of the plan, we are working through the detail of this, to ensure that we focus on the areas which will make the most difference to customers. In the meantime, we will make incremental improvements on a continuous basis.

As part of focussing on “making the big bigger”, and scaling back peripheral activities, by the end of the financial year, we will stop selling through the Ideal World TV shopping channel. This is expected to have a small impact on sales and a negligible impact on profit for FY18.

## Business Change

This is an enabler for the main customer facing areas discussed above, and given its importance to Bonmarché’s development over the next several years, it warrants its own narrative. Previously we have referred to “Systems and Processes”, but the new heading more accurately represents how we look at projects involving new systems.

As noted previously, in late 2015, we began to establish a Business Change team to ensure that we had the capability to lead the business successfully to derive benefits from the projects under its governance. To strengthen our governance in this area further, Mark McClennon joined the Board in April as an independent Non-executive director. Mark is currently Global Vice President for IT at Unilever plc, and as such, brings a level of expertise from which we are already benefitting.

The leadership of the Business Change team was a major factor in the successful completion of the Demandware project. In January 2016, the Business Change team took on leadership of the EPOS replacement project, which had been beset by difficulties since 2014. The main phase of this project was successfully completed in early October with the roll out of the “Retail J” EPOS system to all stores in good time for the peak trading season. From a technical perspective, both of these projects were particularly challenging due to the requirement to integrate them into our very old legacy systems. As we move through the programme to replace the ERP system, we will unlock further benefits from the Demandware and EPOS systems, which we are currently prevented from realising fully because of the constraints of the old ERP system.

The programme to replace the ERP system is significant, and began in August. The programme comprises several phases which will be completed over the next two to three years. We have selected Microsoft’s Dynamics AX7 platform in conjunction with K3 Retail’s retail adaptation, a combination which fits well with our direction of travel.

## People

Another key enabler for the successful execution of the strategy is our people. To provide the right level and type of resource to move forward, and to achieve greater cohesiveness between functions, it was necessary to restructure certain areas of the business. This process was focussed on the head office and took place during October and early November. We have termed it “fit for the future”, to indicate that the primary objective is to improve organisational capability, not to cut costs, although a reduction in future payroll costs will be a beneficial by-product.

The changes principally involved the buying, merchandising, marketing and e-commerce functions, at mid and senior management level. Geraldine Higgins continues to lead the buying and creative functions as Product Director, but in the new structure she will work alongside a more coherently organised supply chain function, responsible for the full “end-to-end” supply chain process, including merchandising and outbound logistics, which were previously managed separately. The costs of this restructuring are incorporated into the profit outlook referred to below.

## Risks and Uncertainties

The Board has concluded that the principal risks and uncertainties expected to affect the Group for the remainder of the financial year are the same as those identified in last year’s Annual Report. These comprise the economy, the emergence of new competitors, foreign exchange risk, adverse weather conditions, loss of key management, purchase of products from overseas, buying and design, IT systems and security, and potential damage to brand and reputation.

A full assessment of these risks and uncertainties, together with corresponding sources of mitigation, can be found on pages 18 to 20 of the FY16 Annual Report which is available on the Company's website, www.bonmarcheplc.co.uk.

## Dividend

The Board has declared an interim dividend of 2.5p per ordinary share (H1 FY16: 2.5p), payable on 23 January 2017 to shareholders on the register on 16 December 2016.

## Outlook

As we approach the key Christmas trading season, we continue to face considerable uncertainty as to market conditions and we believe that the clothing market generally will continue to be challenging. Recent trading has shown an improvement since September, reflecting better ranges and more seasonally appropriate weather, which has supported demand for coats and knitwear in particular.

The Board's view is therefore that, in line with the guidance issued in September, the Group's full year PBT is likely to fall within a range between £5.0m and £7.0m.

In common with many retail businesses, for convenience of reporting, our financial years end on a Saturday, rather than on the final day of the calendar month. Most financial years therefore comprise a 52 week period, but periodically it is necessary to add a 53$^{rd}$ week, to realign the financial year-end with the end of March. We will add a 53$^{rd}$ week at the end of this financial year, which will therefore end on Saturday 1 April 2017 rather than Saturday 25 March. This change is not expected to have a material effect on profits for the year; nevertheless we will, where appropriate, provide comparatives on both a 52 week and a 53 week basis, to aid transparency.

Despite the external challenges, we are confident that Bonmarché remains unique in its ability to serve the needs of its target market. The improvement of our customer proposition across all aspects of the business, as outlined above, will help us achieve this and in turn meet our overriding objective to grow profitable sales by gaining market share.

Our next scheduled announcement to the market is our post-Christmas sales update, on Friday 20 January 2017.

**Helen Connolly**
**Chief Executive**
**21 November 2016**

## Unaudited consolidated income statement

| | Note | 26 weeks ended 24 September 2016 £'000 Unaudited | 26 weeks ended 26 September 2015 £'000 Unaudited | 52 weeks ended 26 March 2016 £'000 Audited |
|---|---|---|---|---|
| Revenue | | 93,088 | 96,968 | 187,963 |
| Cost of sales | | (71,983) | (72,247) | (143,033) |
| **Gross profit** | | **21,105** | **24,721** | **44,930** |
| Administrative expenses | | (14,833) | (15,029) | (26,572) |
| Distribution costs | | (4,238) | (4,219) | (8,665) |
| **Operating profit** | | **2,034** | **5,473** | **9,693** |
| Analysed as: | | | | |
| Operating profit before exceptional items | | 2,541 | 6,473 | 10,735 |
| Exceptional items | 9 | (507) | (1,000) | (1,042) |
| Finance income | | 14 | 20 | 49 |
| Finance costs | | (89) | (93) | (184) |
| **Profit before taxation** | | **1,959** | **5,400** | **9,558** |
| Taxation | 10 | (438) | (1,357) | (1,783) |
| **Profit for the period** | | **1,521** | **4,043** | **7,775** |

| | Note | 26 weeks ended 24 September 2016 | 26 weeks ended 26 September 2015 | 52 weeks ended 26 March 2016 |
|---|---|---|---|---|
| **Earnings per share (pence)** | | | | |
| Basic | 11 | 3.1 | 8.4 | 16.1 |
| Diluted | 11 | 3.1 | 8.1 | 15.7 |

## Unaudited consolidated statement of comprehensive income

| | 26 weeks ended 24 September 2016 £'000 Unaudited | 26 weeks ended 26 September 2015 £'000 Unaudited | 52 weeks ended 26 March 2016 £'000 Audited |
|---|---|---|---|
| **Profit for the period** | **1,521** | **4,043** | **7,775** |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Cash flow hedges | | | |
| - fair value movements in other comprehensive income | 3,084 | 118 | 4,326 |
| - transfer from cash flow hedge reserve to profit or loss | 1,651 | (1,746) | (3,508) |
| Tax on cash flow hedges | (947) | 326 | (164) |
| Other comprehensive income for the period | 3,788 | (1,302) | 654 |
| **Total comprehensive income for the period** | **5,309** | **2,741** | **8,429** |

## Unaudited consolidated balance sheet

| | Note | As at 24 September 2016 £'000 Unaudited | As at 26 September 2015 £'000 Unaudited | As at 26 March 2016 £'000 Audited |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 13 | 18,481 | 12,748 | 14,488 |
| Intangible assets | 13 | 4,384 | 2,982 | 3,163 |
| Deferred tax asset | | 118 | 97 | 118 |
| **Total non-current assets** | | **22,983** | **15,827** | **17,769** |
| **Current assets** | | | | |
| Inventories | | 24,846 | 25,255 | 24,295 |
| Trade and other receivables | | 11,427 | 11,309 | 14,880 |
| Cash and cash equivalents | | 10,360 | 19,295 | 13,001 |
| Derivative financial instruments | 16 | 9,515 | 2,389 | 4,780 |
| **Total current assets** | | **56,148** | **58,248** | **56,956** |
| **Total assets** | | **79,131** | **74,075** | **74,725** |
| **Current liabilities** | | | | |
| Trade and other payables | | (39,198) | (40,815) | (38,098) |
| Financial liabilities | | (214) | (205) | (210) |
| Current taxation payable | | (401) | (1,702) | (1,008) |
| Deferred tax liabilities | | (1,574) | - | - |
| Derivative financial instruments | 16 | - | (54) | - |
| **Total current liabilities** | | **(41,387)** | **(42,776)** | **(39,316)** |
| **Non-current liabilities** | | | | |
| Other payables | | (1,518) | (2,083) | (1,518) |
| Financial liabilities | | (307) | (521) | (415) |
| Deferred tax liabilities | | (620) | (846) | (1,276) |
| **Total non-current liabilities** | | **(2,445)** | **(3,450)** | **(3,209)** |
| **Total liabilities** | | **(43,832)** | **(46,226)** | **(42,525)** |
| **Net assets** | | **35,299** | **27,849** | **32,200** |
| | | | | |
| **Equity** | | | | |
| Share capital | | 500 | 500 | 500 |
| Share premium | | 1,496 | 1,496 | 1,496 |
| EBT reserve | | (1,307) | (1,249) | (1,265) |
| Cash flow hedge reserve | | 7,612 | 1,868 | 3,824 |
| Retained earnings | | 26,998 | 25,234 | 27,645 |
| **Total equity** | | **35,299** | **27,849** | **32,200** |

## Unaudited 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 28 March 2015** | | **500** | **1,496** | **(1,249)** | **3,170** | **23,349** | **27,266** |
| Profit for the period | | - | - | - | **-** | 4,043 | 4,043 |
| Cash flow hedges | | | | | | | |
| - fair value movements in other comprehensive income | | - | - | - | 118 | - | 118 |
| - transfer from cash flow hedge reserve to profit or loss | | - | - | - | (1,746) | - | (1,746) |
| Tax on cash flow hedges | | - | - | - | 326 | - | 326 |
| **Total comprehensive (loss)/income for the period** | | **-** | **-** | **-** | **(1,302)** | **4,043** | **2,741** |
| Share-based payment reserves credit | | - | - | - | - | 61 | **61** |
| Equity dividends paid | 12 | - | - | - | **-** | (2,219) | **(2,219)** |
| **Balance at 26 September 2015** | | **500** | **1,496** | **(1,249)** | **1,868** | **25,234** | **27,849** |
| Profit for the period | | - | - | - | **-** | 3,732 | 3,732 |
| Cash flow hedges | | | | | | | |
| - fair value movements in other comprehensive income | | - | - | - | 4,208 | - | 4,208 |
| - transfer from cash flow hedge reserve to profit or loss | | - | - | - | (1,762) | - | (1,762) |
| Tax on cash flow hedges | | - | - | - | (490) | - | (490) |
| **Total comprehensive income for the period** | | **-** | **-** | **-** | **1,956** | **3,732** | **5,688** |
| Share-based payment reserves debit | | - | - | - | - | (105) | **(105)** |
| Purchase of own shares for EBT | | - | - | (16) | - | - | **(16)** |
| Equity dividends paid | 12 | - | - | - | - | (1,216) | **(1,216)** |
| **Balance at 26 March 2016** | | **500** | **1,496** | **(1,265)** | **3,824** | **27,645** | **32,200** |
| Profit for the period | | - | - | - | **-** | 1,521 | 1,521 |
| Cash flow hedges | | | | | | | |
| - fair value movements in other comprehensive income | | - | - | - | 3,084 | - | 3,084 |
| - transfer from cash flow hedge reserve to profit or loss | | - | - | - | 1,651 | - | 1,651 |
| Tax on cash flow hedges | | - | - | - | (947) | - | (947) |
| **Total comprehensive income for the period** | | **-** | **-** | **-** | **3,788** | **1,521** | **5,309** |
| Share-based payment reserves credit | | - | - | - | - | 30 | **30** |
| Purchase of own shares for EBT | | - | - | (42) | **-** | - | **(42)** |
| Equity dividends paid | 12 | - | - | - | **-** | (2,198) | **(2,198)** |
| **Balance at 24 September 2016** | | **500** | **1,496** | **(1,307)** | **7,612** | **26,998** | **35,299** |

## Unaudited consolidated statement of cash flows

| | Note | 26 weeks ended 24 September 2016 £'000 Unaudited | 26 weeks ended 26 September 2015 £'000 Unaudited | 52 weeks ended 26 March 2016 £'000 Audited |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 14 | 8,156 | 13,429 | 13,204 |
| Interest paid | | (61) | (64) | (128) |
| Tax paid | | (1,075) | (1,350) | (2,549) |
| **Net cash generated from operating activities** | | **7,020** | **12,015** | **10,527** |
| **Cash flows from investing activities** | | | | |
| Purchases of property, plant and equipment | | (5,893) | (1,251) | (4,342) |
| Purchases of intangible assets | | (1,439) | (234) | (647) |
| Interest received | | 15 | 18 | 49 |
| **Net cash used in investing activities** | | **(7,317)** | **(1,467)** | **(4,940)** |
| **Cash flows from financing activities** | | | | |
| Purchase of own shares for EBT | | (42) | - | (16) |
| Capital element of finance lease rental payments | | (104) | (93) | (194) |
| Dividends paid | 12 | (2,198) | (2,219) | (3,435) |
| **Net cash used in financing activities** | | **(2,344)** | **(2,312)** | **(3,645)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(2,641)** | **8,236** | **1,942** |
| Cash and cash equivalents at beginning of the period | | 13,001 | 11,059 | 11,059 |
| **Cash and cash equivalents at the end of the period** | | **10,360** | **19,295** | **13,001** |

Reconciliation of net cash flow to movement in net cash

| | Note | 26 weeks ended 24 September 2016 £'000 | 26 weeks ended 26 September 2015 **£'000** | 52 weeks ended 26 March 2016 £'000 |
|---|---|---|---|---|
| **Opening net cash** | | **12,376** | **10,240** | **10,240** |
| Net cash (outflow)/inflow from activities | | (2,641) | 8,236 | 1,942 |
| Decrease in debt financing | | 104 | 93 | 194 |
| **Movement in net cash** | | (2,537) | 8,334 | 2,136 |
| **Closing net cash** | 15 | **9,839** | **18,569** | **12,376** |

## Notes to the unaudited condensed consolidated financial statements

### 1. General information

Bonmarche Holdings plc (the 'Company') is a company incorporated and domiciled in the UK (company registration number 08638336). The address of the registered office is Jubilee Way, Grange Moor, Wakefield, West Yorkshire WF4 4SJ. The principal activity of the Company and its subsidiaries' (collectively, the "Group") is as a multi-channel retailer of high quality, affordable womenswear and accessories.

The unaudited condensed consolidated financial statements ("interim financial statements") of the Group have been prepared for the 26 weeks ended 24 September 2016 and were approved by the Board of Directors on 21 November 2016.

### 2. Basis of preparation

These interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's statutory financial statements for the 52 weeks ended 26 March 2016 are available upon request from the Company's registered office or from the Company's website www.bonmarchéplc.co.uk.

The interim financial statements for the 26 weeks ended 24 September 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting'.

The information provided in these interim financial statements in respect of the 52 weeks ended 26 March 2016, has been extracted from the Group's annual financial statements for that period, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

### 3. Going concern

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

## Notes to the unaudited condensed consolidated financial statements (continued)

### 4. Significant accounting policies

The accounting policies adopted are consistent with those used in the preparation of the Group's annual financial statements for the 52 weeks ended 26 March 2016, except where new standards and interpretations have been adopted.

There are no changes to accounting standards in the current year that have an impact on the Group.

Other new or revised accounting standards, interpretations or amendments, that are currently endorsed but not yet effective, are not expected to have a significant impact on the future results of Group.

### 5. Estimates and judgements

The preparation of these interim financial statements required the Directors to make estimates and judgements in applying the Group's accounting policies, and in determining the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by the Directors were made on a consistent basis with those that applied to the Group's annual financial statements for the 52 weeks ended 26 March 2016.

### 6. Segment information

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

The Board considers 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 quantitative 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.

# Notes to the unaudited condensed consolidated financial statements (continued)

## 7. Operating profit

Operating profit is stated after charging/(crediting):

| | 26 weeks ended 24 September 2016 £'000 | 26 weeks ended 26 September 2015 £'000 | 52 weeks ended 26 March 2016 £'000 |
|---|---|---|---|
| Share-based payment charge/(credit) | 30 | 61 | (44) |
| Depreciation of property, plant and equipment | | | |
| - owned | 1,300 | 1,446 | 2,926 |
| - held under finance lease | 111 | 111 | 221 |
| Amortisation of intangible assets | 215 | 195 | 380 |
| Operating lease payments | | | |
| - plant and machinery | 213 | 188 | 401 |
| - land and buildings | 9,539 | 8,891 | 18,032 |
| Rent free amortisation | (783) | (672) | (1,382) |
| Loss on disposal of property, plant and equipment | 120 | 37 | 177 |
| Loss on disposal of intangible assets | 3 | - | 47 |
| Foreign exchange gains | (824) | (152) | (773) |

## 8a Employee benefit expense

| | 26 weeks ended 24 September 2016 £'000 | 26 weeks ended 26 September 2015 £'000 | 52 weeks ended 26 March 2016 £'000 |
|---|---|---|---|
| Wages and salaries | 18,580 | 17,867 | 36,139 |
| Social security costs | 1,207 | 1,067 | 2,254 |
| Other pension costs | 390 | 459 | 1,011 |
| Share-based payments charge | 30 | 61 | (44) |
| Termination payments | 33 | 24 | 76 |
| **Employee benefit expenses included in operating profit** | **20,240** | **19,478** | **39,436** |

## 8b Average number of people employed

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

| | 26 weeks ended 24 September 2016 FTE | 26 weeks ended 26 September 2015 FTE | 52 weeks ended 26 March 2016 FTE |
|---|---|---|---|
| Stores | 1,501 | 1,501 | 1,519 |
| Administration | 201 | 194 | 198 |
| Distribution | 273 | 282 | 285 |
| | **1,975** | **1,977** | **2,002** |

## Notes to the unaudited condensed consolidated financial statements (continued)

### 9. Exceptional items

Items that are material because of their size, and that are non-recurring, are considered as exceptional items and are presented within the line items to which they best relate. The exceptional items detailed below have been included in administrative expenses in the income statement.

Exceptional items comprise:

| | Footnote | 26 weeks ended 24 September 2016 £'000 | 26 weeks ended 26 September 2015 £'000 | 52 weeks ended 26 March 2016 £'000 |
|---|---|---|---|---|
| Implementation of new EPOS system | a | 417 | - | - |
| Restructuring and recruitment costs | b | 90 | - | - |
| Legal and professional fees | c | - | 1,000 | 1,042 |

*Footnotes*

**a** Training expenses incurred in the period in relation to the implementation of a new EPOS system across the store estate. Other costs in relation to implementing this project have been treated as capital expenditure.
**b** Costs relating to the recruitment of the new Chief Executive who joined the Group in August 2016.
**c** Legal and professional fees in relation to the admission of Bonmarche Holdings plc to the official listing of the London Stock Exchange on 19 October 2015.

### 10. Taxation

Tax for the 26 weeks to 24 September 2016 has been provided for at an effective rate of 22.4% representing the Group's forecast effective tax rate for the full year. The estimated effective rate is higher than the UK Corporation tax rate of 20%, due to the effect of expenses not deductible for tax purposes. These include charges in respect of share-based payments, and depreciation on owned assets which do not qualify for capital allowances.

Tax for the 26 weeks ending 26 September 2015 was provided for at an effective rate of 21.2% other than in relation to exceptional items which for the purpose of estimating the necessary level of provision, were treated as non-qualifying expenditure.

The tax charge for the 52 weeks ended 26 March 2016 included a £0.4m credit recognised in relation to the 52 weeks ended 28 March 2014, following the release of a provision. Without this credit, the effective rate would have been 22.9%.

## Notes to the unaudited condensed consolidated financial statements (continued)

### 11. Earnings per share

| | 26 weeks ended 24 September 2016 | 26 weeks ended 26 September 2015 | 52 weeks ended 26 March 2016 |
|---|---|---|---|
| Profit attributable to ordinary shareholders (£'000s) | 1,521 | 4,043 | 7,775 |
| Basic earnings per share (pence) | 3.1 | 8.4 | 16.1 |
| Diluted earnings per share (pence) | 3.1 | 8.1 | 15.7 |

Basic and diluted earnings per share (eps) are calculated by dividing the profit for the year attributable to equity holders 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, being management shares not yet vested.

The number of shares is as follows:

| | 26 weeks ended 24 September 2016 Number | 26 weeks ended 26 September 2015 Number | 52 weeks ended 26 March 2016 Number |
|---|---|---|---|
| Weighted average number of ordinary shares in issue | 50,018,150 | 50,018,150 | 50,018,150 |
| Less: shares held by the Employee Benefit Trust (weighted average) | (620,136) | (402,390) | (383,878) |
| Weighted average number of shares for calculating diluted eps | 49,398,014 | 49,615,760 | 49,634,272 |
| Weighted average number of potentially dilutive share awards | (898,864) | (1,421,110) | (1,380,112) |
| Weighted average number of shares for calculating basic eps | 48,499,150 | 48,194,650 | 48,254,160 |

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:

| | 26 weeks ended 24 September 2016 £'000 | 26 weeks ended 26 September 2015 £'000 | 52 weeks ended 26 March 2016 £'000 |
|---|---|---|---|
| Profit attributable to ordinary shareholders | 1,521 | 4,043 | 7,775 |
| Exceptional items | 507 | 1,000 | 1,042 |
| Underlying profit attributable to ordinary shareholders | 2,028 | 5,043 | 8,817 |

## Notes to the unaudited condensed consolidated financial statements (continued)

### 11. Earnings per share (continued)

| | 26 weeks ended 24 September 2016 Pence | 26 weeks ended 26 September 2015 Pence | 52 weeks ended 26 March 2016 Pence |
|---|---|---|---|
| Underlying basic earnings per share | 4.2 | 10.5 | 18.3 |
| Underlying diluted earnings per share | 4.1 | 10.2 | 17.8 |

### 12. Dividends

| | 26 weeks ended 24 September 2016 £'000 | 26 weeks ended 26 September 2015 £'000 | 52 weeks ended 26 March 2016 £'000 |
|---|---|---|---|
| **Equity - ordinary** | | | |
| Final dividend of 4.64 pence per share (2015: 4.5 pence per share) | 2,279 | 2,219 | 2,219 |
| Dividends returned in relation to the Restricted Share Plan | (81) | - | - |
| Prior period interim dividend of 2.50 pence per share | - | - | 1,216 |
| Dividends paid during the period | 2,198 | 2,219 | 3,435 |

The Directors have declared an interim dividend of 2.5 pence per share, which will amount to £1.2m, for the 26 weeks ended 24 September 2016. The dividend will be paid on 23 January 2017 to shareholders on the register at the close of business on 16 December 2016. In line with the requirement of IAS10 'Events after the Reporting Period', this dividend has not been recognised within these results.

Dividends were returned in the 26 weeks ended 24 September 2016 in relation to prior period dividends paid in respect of management shares granted under the terms of the Restricted Share Plan. Under the terms of the plan, 20% of the share awards vest on each anniversary of the grant. Dividend payments made in relation to the unvested element of the share awards are returned to the Company in the event of an employees' departure from the scheme.

More information on the Restricted Share Plan can be found in the 2016 Annual Report.

# Notes to the unaudited condensed consolidated financial statements (continued)

## 13. Capital Expenditure

| | Property, plant and equipment £'000 | Intangible assets £'000 |
|---|---|---|
| Net book value at 28 March 2015 | 12,809 | 2,943 |
| Additions | 1,533 | 234 |
| Disposals | (37) | - |
| Depreciation and amortisation | (1,557) | (195) |
| **Net book value at 26 September 2015** | **12,748** | **2,982** |

| | Property, plant and equipment £'000 | Intangible assets £'000 |
|---|---|---|
| Net book value at 26 September 2015 | 12,748 | 2,982 |
| Additions | 3,470 | 413 |
| Disposals | (140) | (47) |
| Depreciation and amortisation | (1,590) | (185) |
| **Net book value at 26 March 2016** | **14,488** | **3,163** |

| | Property, plant and equipment £'000 | Intangible Assets £'000 |
|---|---|---|
| Net book value at 26 March 2016 | 14,488 | 3,163 |
| Additions | 5,524 | 1,439 |
| Disposals | (120) | (3) |
| Depreciation and amortisation | (1,411) | (215) |
| **Net book value at 24 September 2016** | **18,481** | **4,384** |

## Notes to the unaudited condensed consolidated financial statements (continued)

### 14. Cash generated from operations

| | 26 weeks ended 24 September 2016 £'000 | 26 weeks ended 26 September 2015 £'000 | 52 weeks ended 26 March 2016 £'000 |
|---|---|---|---|
| **Profit before tax** | **1,959** | **5,400** | **9,558** |
| Adjustments for: | | | |
| - Depreciation | 1,411 | 1,557 | 3,147 |
| - Loss on disposal of property, plant and equipment | 120 | 37 | 177 |
| - Loss on disposal of intangible assets | 3 | - | 47 |
| - Amortisation of intangible assets | 215 | 195 | 380 |
| - Share-based payment charge/(credit) | 30 | 61 | (44) |
| - Finance costs – net | 75 | 73 | 135 |
| - (Increase)/decrease in inventories | (551) | (461) | 499 |
| - Decrease/(increase) in trade and other receivables | 3,424 | 3,544 | (56) |
| - Increase/(decrease) in trade and other payables | 1,470 | 3,023 | (639) |
| **Cash generated from operations** | **8,156** | **13,429** | **13,204** |

### 15. Analysis of net cash

| | 26 weeks ended 24 September 2016 £'000 | 26 weeks ended 26 September 2015 £'000 | 52 weeks ended 26 March 2016 £'000 |
|---|---|---|---|
| Cash & cash equivalents | 10,360 | 19,295 | 13,001 |
| Finance lease liabilities | (521) | (726) | (625) |
| **Net cash** | **9,839** | **18,569** | **12,376** |

## Notes to the unaudited condensed consolidated financial statements (continued)

### 16. Financial instruments

#### Financial assets

'Trade and other receivables' and 'Cash and cash equivalents' are designated as loans and receivables and carried at amortised cost.

#### Financial liabilities

'Trade and other payables' and 'Financial liabilities' are designated as financial liabilities measured at amortised cost. Derivative financial instruments are measured at fair value and classified as financial liabilities designated on initial recognition as fair value movements through the profit and loss.

#### Derivative financial instruments - Cash flow hedges

| | 24 September 2016<br>£'000 | 26 September 2015<br>£'000 | 26 March 2016<br>£'000 |
|---|---|---|---|
| Forward foreign exchange contracts – cash flow hedge (Level 2) liability | **-** | **(54)** | **-** |
| Forward foreign exchange contracts – cash flow hedge (Level 2) asset | **9,515** | **2,389** | **4,780** |
| Forward foreign exchange contracts – (notional principal amount) | **72,923** | **72,294** | **64,803** |

The Group uses forward foreign exchange contracts to hedge the foreign exchange risk from highly probable forecast stock purchases denominated 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 income statement impact in relation to the cash flows hedged is expected to occur in the next 15 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 foreign exchange contracts has been determined based on discounted market forward currency exchange rates at the balance sheet date.

## Notes to the unaudited condensed consolidated financial statements (continued)

### 17. Related party transactions

There have been no changes in the nature of transactions with related parties since those described in the most recent annual report. During the 26 weeks ended 24 September 2016 there have been no new related party transactions which have had a material effect on the financial position or performance of the Group.

## Responsibility statement

We confirm that to the best of our knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34;

b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks of the financial year and description of principal risks and uncertainties for the remaining 27 weeks of the financial year); and

c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein)

**By order of the Board**

Helen Connolly
Chief Executive
21 November 2016

Stephen Alldridge
Finance Director
21 November 2016

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.