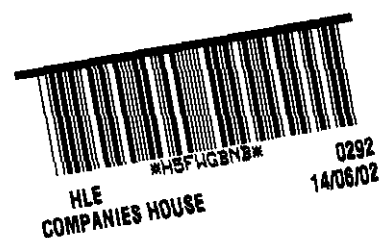


Bon Marché Group Limited

**Directors' report and consolidated
financial statements**

Registered Number 4172055

46 weeks ended 26 January 2002



financial highlights

bonmarché is delivering. For a third consecutive year we met our targets and achieved strong profit growth.

bonmarché is a high volume retailer of stylish, affordable womenswear. We are firmly committed to a planned programme of expansion and profit growth. In the 52 weeks ended 26 January 2002 turnover grew by 15%, supported by the opening of 31 new stores, a strong product offer, and highly focused marketing. Tight control over margins helped us to achieve another year of outstanding growth in operating profit – up 43% to £9.3 million.

turnover (£m)

99/00	101.3	+13%
00/01	111.3	+10%
01/02	128.5	+15%

operating profit (£m)

99/00	4.7	+174%
00/01	6.5	+37%
01/02	9.3	+43%

operating margin (%)

99/00	4.7
00/01	5.9
01/02	7.2

In the reports on pages 1 to 13 of this document, references to financial information for the current year are based on the unaudited proforma profit and loss account presented for the 52 weeks ended 26 January 2002.

References to operating profit refer to the operating profit before acquisition costs and goodwill amortisation as shown on page 17.

Comparative financial information for the previous year is taken from the audited accounts of **bonmarché** Limited.

stores at year end

99/00	192
00/01	210
01/02	240

chairman's statement

We made strong progress in 2001 and laid solid foundations for the next phase of our development.

Everyone associated with **bonmarché** can look back with pride on an eventful and productive year in which we made significant advances towards our goal – to be the first choice destination for value-conscious 45+ women.

Not only did we meet our expansion and profitability targets, we also completed a major financial restructuring. The introduction of venture capital has strengthened our shareholder base, while the associated credit facilities provide the funding we need as the pace of our expansion accelerates.

In the short time since I joined the board as Non-Executive Chairman, I have been impressed by the capabilities of the management team, and by the assurance with which they have driven expansion and profit growth. They have built a strongly cash generative business with a loyal customer base, offering great potential for further development and for realisation of shareholder value.

But none of this would have been possible without an exceptionally accomplished force of retail, distribution and support professionals. I want to thank them all for the enormous contribution they have made to our progress over the past year, and for their continuing support as we embark on the next exciting phase of expansion.

A winning format... **bonmarché** offers real fashion for real women at real value.

Clive Taylor-Clague

Clive Taylor-Clague
Non-Executive Chairman





operating review

bonmarché is a fast-growing business with a proven retailing format and a clear strategy.

This was a highly satisfactory year for **bonmarché**, in which we achieved our expansion targets, extended and refined our product range, and enhanced our store format. We also made a key strategic decision – to build a new warehousing and head office complex with the infrastructure and capacity to support the ongoing expansion of our store chain.

A growth business

In the 20 years since its foundation, **bonmarché** has established a unique position for itself as the UK's only dedicated high street value retailer for 45+ women.

Our market share is growing steadily as we expand our store chain out of our traditional heartlands in the Midlands and the North of England into the rest of the UK. We are now the UK's fifth largest retailer in our target market with a 3% market share – in 2001 we sold almost 15 million garments, an increase of 16% on the previous year.

Our distinctive combination of style, affordability and value demonstrated its robust appeal during 2001. Spending at our stores was buoyant throughout the year, in spite of the economic downturn and periods of inclement weather.

This strong performance was achieved in face of increasingly intense competition. Major High Street retailers realigned their pricing to attract value-conscious shoppers, while specialist value chains opened new stores in competition with our own. This tougher environment is ensuring

that we maintain our commercial discipline and obtain maximum leverage from our competitive advantages.

Our unique focus on the maturer woman, our full size range and our continual refreshment of product lines and value offers are all helping to differentiate us from our competitors and build customer loyalty.

Amatexa, our London-based cut, make and trim (CMT) division, remained key to our continuing ability to provide customers with outstanding value. Amatexa sources fabrics, controls design and subcontracts manufacture to factories in Romania, Turkey and elsewhere. It accounted for around 35% of products sold through our stores during the year.

Enhancements

We are continually developing and improving the **bonmarché** product. We extended our product range in Autumn 2001, offering our own ranges of nightwear, footwear and accessories in selected stores. Our customers responded favourably and we are now introducing the new ranges throughout our store chain. Further range enhancements are planned for 2002.

We continued to roll-out our new store format during the year. The new format gives our stores a more modern and open style with clean lines, clear signposting and a strong emphasis on value. We had refitted a further 53 to the new design by the year end, and we remain on track to convert all our stores to a single brand image by 2003.

bonmarché is an increasingly powerful presence in the UK's high streets. New store openings and product enhancements are fuelling growth, while **bonusclub** is building high levels of customer loyalty.



operating review

bonusclub launched

Customer knowledge drives our business. We invest in extensive market research and data analysis, the results of which help us to develop our ranges, identify new product categories and plan the expansion of our chain.

bonusclub, our customer discount and loyalty programme, generates valuable information and is proving to be a highly effective marketing tool. Launched in October 2000, bonusclub was extensively piloted in selected stores during 2001, and in March 2002 we extended it to the remaining stores.

Information generated by bonusclub lets us track customer purchasing patterns and gain insights into their preferences. We are building a sophisticated and powerful database, which will more than double in size by January 2003. We are already working with third parties such as National Express to provide travel offers and other appropriate deals to our customers via bonusclub. Response rates to mailings have been well above industry benchmarks, and the special Event Days held at our stores boosted turnover significantly. bonusclub's success was independently acknowledged during the year with the Drapers Record award for Best Consumer Loyalty Scheme.

Expansion on target

Our store expansion programme proceeded to plan with the opening of 31 new stores. This took the total number of stores in our estate to 240 at the year end, representing some 630,000 square feet of retail selling space. We opened stores in several major cities including Birmingham, Newcastle, Southampton, Sheffield and Brighton. We also opened two new stores in Northern Ireland to build on the success of our existing site in Belfast.

New distribution centre

Our store network is serviced by a substantial distribution operation. During the financial year we handled over 15 million items through our warehouses, an uplift of 15% on the previous year, and we expanded our fleet of delivery vehicles.



We now need to consolidate our current multi-site facilities into a single location in order to allow further profitable expansion. In January 2002 we entered into an agreement to build a new centre on a 22-acre site at Grange Moor near Huddersfield. Providing six million cubic feet of space, this will provide ample capacity for future expansion while allowing us to eliminate double-handling and realise operating efficiencies.

In addition to its distribution facilities, the new centre will also house our head office team. We intend to have the centre in full operation by early 2003.

Investing in people

We enhanced our management and operational teams during the year. Two new non-executive directors were appointed: Janet Rubin, who brings valuable human resources expertise to the board, and Mark Advani of ISIS Capital. Mark, who was closely involved in shaping the venture capital deal, has subsequently been replaced by Kevin Whittle – this follows a decision by ISIS Capital to differentiate deal-making from portfolio management within its organisation. In February 2002 we announced the appointment of Clive Taylor-Clague as our non-executive chairman. These appointments, together with the establishment of formal remuneration and audit committees, signal our determination to implement best practice corporate governance.

The bonmarché fleet delivers more than a quarter of a million items each week to our store network. Stock turnaround is rapid, and is driven by aggressive marketing and highly competitive pricing.



We also strengthened our buying and merchandising teams, to provide further support to Gurchait Chima in his role as Buying & Merchandising Director and to ensure that we maximise our advantage in this key aspect of our business.

We recruited some 300 staff for our new stores, bringing our payroll at the year end to around 2,700. A significant training and development programme for our store staff is rolling out during 2002.

Looking ahead

bonmarché is an ambitious business and we have now entered an exciting period of further expansion – the coming year will see the opening of a further 30 stores with the main focus being in the South West of England and East Anglia. Already our 250th store has opened, in Lichfield, putting us well on the way towards our new stores target for the year.

In addition to our current portfolio we have identified some 200 potential locations in England and Wales which are capable of supporting a successful **bonmarché** store, and a further 60 in Scotland and the Republic of Ireland. This will enable us over time to double our chain to around 500 stores, substantially increasing our market share.

The current year has started encouragingly. On a like-for-like basis, sales in the first twelve weeks of the new financial year are ahead by 5% compared to the same period last year. Total retail sales have increased by over 20%, while gross margin has also risen. We are confident that the quality of our trading format, the excellence of our retail, distribution and merchandising teams, and the determination of the management team will ensure that we achieve our goals.



Steve Bullas
Chief Executive

operating review

stores at year end



new stores



store refits



retail space (sq ft)



sales per sq ft (£)

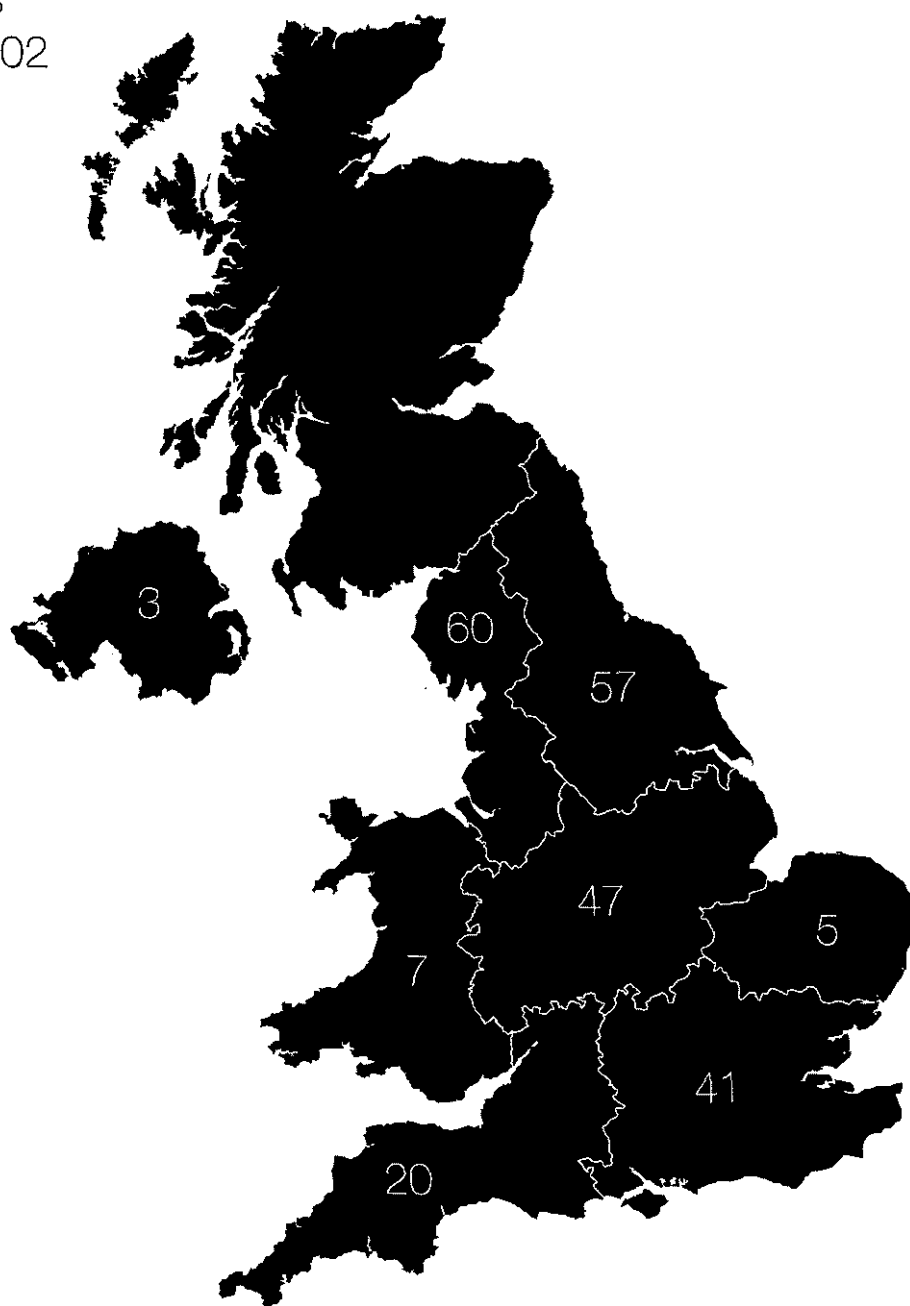


Store Openings 2001

Aylesbury
 Ballymena
 Beaumont Leys
 Birmingham
 Bridgewater
 Brighton
 Bromsgrove
 Camarthen
 Carlisle
 Chichester
 Cowley
 Croydon
 Epsom
 Grays
 Hereford
 Hounslow (relocation)
 Lisburn
 Mansfield
 New Malden
 Newbury
 Newcastle
 Orpington
 Plymouth
 Sheffield
 Southampton
 Staines
 Stourbridge
 Twickenham
 Uxbridge
 Waterloooville
 Weymouth
 Worthing

Total number of stores
as at 26th January 2002

240



the board

A strong board with in-depth experience of retailing
and a clear focus on growth.



Secretary & Registered Office

JC Fellows School Lane Kirkheaton
Huddersfield HD5 0JS

Registered number: 4172055

Bankers

Bank of Scotland
Lisburn House
116 Wellington Street
Leeds LS1 4LT

Girobank plc
Merion Court
44 Merion Street
Leeds LS2 8JQ

Auditors

KPMG
1 The Embankment
Neville Street
Leeds LS1 4DW

Solicitors

Hammond Suddards Edge
2 Park Lane Leeds LS3 1ES

1. Clive Taylor-Clague

Non-Executive Chairman (73)

Clive Taylor-Clague is a former executive director of the venture capital fund Electra Investment Trust, where he gained extensive experience with fast-growing private businesses. He is also the Non-Executive Chairman of Budgens and of Kunick. He took up his **bonmarché** appointment in February 2002.

2. Steve Bullas Chief Executive (51)

Steve joined the business in 1999. His career in the women's fashion industry started with Empire Stores as a buyer and developed to Head of Merchandising for Littlewoods and Merchandise/Buying Director of Great Universal Stores. In 1991 Steve joined Grattan Plc and became Chief Executive in 1996.

3. Gurchait Chima

Buying and Merchandising Director (52)

Co-founder of the business in 1982, Gurchait is responsible for all aspects of buying and merchandising including product design and selection, sourcing management of the CMT division and the development of new ranges.

4. Ian Williams Retail Operations Director (40)

Ian joined in January 2000. His substantial retailing experience includes progressing from shop floor to executive roles with both C&A and Hamells.

5. Gurnaik Chima Commercial Director (43)

Co-founder of the business in 1982, Gurnaik's role concentrates on developing the logistics operation and identifying opportunities to leverage our CMT advantage through wholesaling.

6. Jonathan Fellows Financial Director (43)

A Fellow of the Association of Chartered Certified Accountants and a Member of the Association of Corporate Treasurers, Jonathan joined the company in September 1998 having held plc board roles with Central Independent Television, Lloyds Chemists and Thorntons.

7. Janet Rubin Non-Executive Director (52)

Janet has wide knowledge of human resources management in the retailing sector, having worked at a senior level for Littlewoods, WH Smith, B&Q and The Burton Group (now Arcadia). She joined the board in March 2001.

8. David Walker Non-Executive Director (57)

David is a West Yorkshire based Chartered Accountant who has had a long association with the company and is active in representing the financial concerns of the major shareholders. He holds several other non-executive appointments.

9. Kevin Whittle Non-Executive Director (37)

Kevin joined the board in April 2002 as the representative of ISIS Capital, where he is Portfolio Director. A Chartered Accountant, he spent six years in corporate finance roles, before in 1996 joining Environmental Waste Services Group, a venture capital backed MBI, where he was CEO from 1999 until 2001.

1	2	3
4	5	6
7	8	9

financial review

Strong financial disciplines helped us achieve an outstanding result in 2001.

This was another year of excellent financial performance, demonstrating once again the effectiveness of our management disciplines and our continuing ability to deliver turnover growth in combination with operating margin improvement.

The result was a highly satisfactory operating profit of £9.3 million before acquisition costs and goodwill amortisation, an uplift of 43% on the previous year which itself had seen a 37% increase.

The addition of 31 new stores ensured that turnover grew strongly, up by 15% to £128.5 million. Turnover was also boosted by stronger sales in our established stores as we continued to develop our offer. Like-for-like sales were up by 2.9%, although this was below the exceptional increase of 9.5% in the previous year when sales benefited from pre-refit promotions. Focused management ensured that stock levels increased by only 7% to £20.4 million, with a corresponding improvement in stockturn.

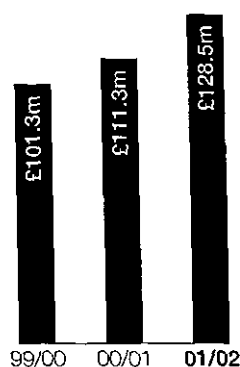
Gross margin increased from 45.4% to 47.3%, this uplift reflecting the effectiveness of the marketing initiatives undertaken to drive full price promotions and to limit discounting.

Investing for growth

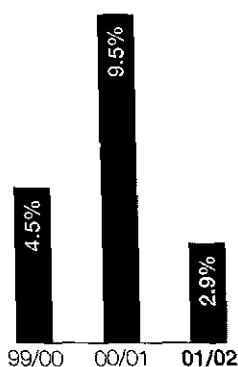
Operating margin increased from 5.9% to 7.2%, we were delighted to achieve such a positive improvement: margin is a key driver of our financial performance and is critical to our success as we expand our store chain.

bonmarché is a cash generative business which reinvests its earnings to fuel growth. Our capital expenditure for the year was £7.3 million, taking our investment over the past three years to nearly £19 million. Most of the expenditure in 2001 related to new store development and store refits, although we also made significant systems-related capital investments in human resources, data warehousing, store communications and in our delivery fleet.

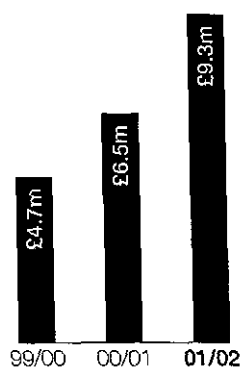
turnover



like-for-like sales increase



operating profit



operating margin



The effective rate of corporation tax for the year was 34% (2000: 34%). We are already making full provision for deferred taxation, so the adoption of the FRS 19 accounting standard has had no impact on our accounts.

We continued to monitor our exposure to interest rate and currency risks. Our main foreign currency requirement is US dollars: we ensure that appropriate cover is in place and that risks are minimised.

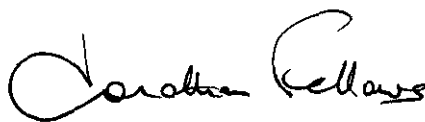
Funding future expansion

The financing package that we announced in June 2001 gives us the financial strength we need as we roll out our store chain nationwide and invest in the infrastructure improvements necessary in order to benefit fully from economies of scale.

The private equity investment fund ISIS Capital (formerly Friends, Ivory and Sime) invested £7.3 million of venture capital in return for a minority stake, and Bank of Scotland provided a further £34 million in loan and credit facilities.

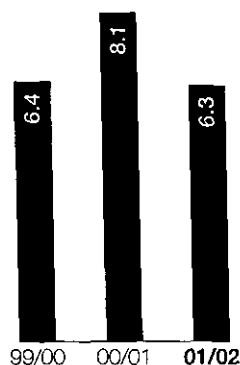
bonmarché Group Limited acquired **bonmarché** Holdings Limited from the Chima family on 6 July 2001 in exchange for cash and shares. The Chima family have retained a majority interest of 70% in **bonmarché** Group. The remaining equity is owned by ISIS (20%) and management (10%).

During the year we repaid £1 million of the Bank of Scotland debt, and we expect to repay a further £2 million in the current financial year. Interest cover fell as a result of the financing package but remains at the relatively high multiple of 6.3 times earnings.

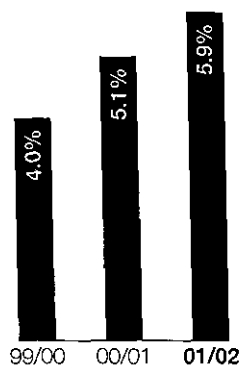


Jonathan Fellows
Financial Director

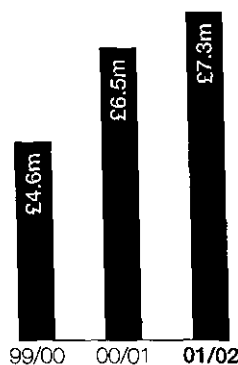
interest cover
(multiple)



return on sales



capital expenditure



director's report

The directors present their annual report and the audited financial statements for the 46 week period ended 26 January 2002.

Principal activities

The company was incorporated on 5 March 2001. On 6 July 2001, the company acquired the entire share capital of **bonmarché** Holdings Limited.

Following the acquisition, the group is principally engaged in the retailing and wholesale of garments, specialising in ladieswear.

Result and dividends

The profit of the group for the period after taxation amounted to £4,393,000. The directors do not propose the payment of a dividend.

Proforma unaudited profit and loss accounts have been included on page 17 to show the results of the group if the acquired operations had been owned for a full year, with proforma unaudited comparatives for the previous year.

These unaudited proforma profit and loss accounts do not include any additional interest cost which would have been incurred if the acquisition had taken place at the beginning of the year.

Directors and directors' interests

The current directors of the company are shown on page 11. The interests of the directors in the share capital of the company are as follows:

	At 5 March 2001 Ordinary Shares	At 26 January 2002 Ordinary Shares
GS Chima Snr	-	175,000
GS Chima Jnr	-	175,000
SR Bullas	-	30,000
JC Fellows	-	10,000
DA Walker	-	10,000

None of the other directors had any interest in the share capital of the company.

Employees

bonmarché Group Limited and its subsidiaries are committed to providing all employees with the support, guidance and time to train in order to achieve the necessary skills to excel in their current roles as well as preparing them for the next role on their chosen career path. Employees are encouraged to apply for any internal vacancies. Personal development needs and the training and development plans needed to support these are discussed at least once a year with each employee.

bonmarché Group Limited and its subsidiaries are committed to the principle of equal opportunity in employment and to ensuring that no-one receives less favourable treatment on the grounds of gender, marital status, race, colour, nationality, ethnic or national origin, religion, disability or sexuality. Everyone has equal access to training and development opportunities. Wherever it is possible to employ a suitably qualified disabled person the group will endeavour to do so.

director's report (continued)

Auditors

KPMG were appointed as first auditors of the company by the directors.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



JC Fellows
Director

School Lane Kirkheaton Huddersfield HD5 0JS
22 April 2002

statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

independent auditors' report to the members of **bonmarché** Group Limited

We have audited the financial statements on pages 17 to 32 excluding the proforma profit and loss accounts on page 17.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 15, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 26 January 2002 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

22 April 2002

consolidated profit & loss

for the period ended 26 January 2002

	Note	29 weeks ended 26 January 2002 £000	Proforma unaudited 52 weeks period ended 26 January 2002 £000	Proforma unaudited 52 weeks period ended 26 January 2001 £000
Turnover – acquired operations	2	83,515	128,542	111,308
Cost of sales		(43,388)	(67,725)	(60,810)
Gross profit		40,127	60,817	50,498
Distribution costs		(28,734)	(44,219)	(38,282)
Administrative expenses		(3,207)	(7,283)	(5,696)
Operating profit before acquisition costs and goodwill amortisation		8,186	9,315	6,520
Acquisition costs and goodwill amortisation		(216)	(216)	-
Operating profit – acquired operations	3	7,970	9,099	6,520
Interest receivable	6	84	84	12
Interest payable and similar charges	7	(1,359)	(1,555)	(820)
Profit on ordinary activities before taxation		6,695	7,628	5,712
Tax on profit on ordinary activities	8	(2,302)	(2,580)	(1,950)
Retained profit for the financial period		4,393	5,048	3,762

There are no recognised gains or losses other than the profit retained for the financial period. The results derive entirely from continuing operations. The profit for the period stated above is the historical cost profit.

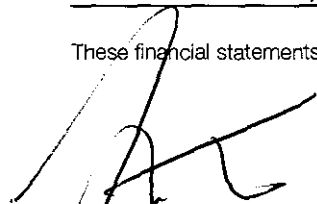
The reconciliation of movements in shareholders' funds is set out in note 21.

consolidated balance sheet

at 26 January 2002

	Note	2002 £000	2002 £000
Fixed assets			
Intangible assets	9	294	
Tangible assets	10	21,074	
			21,368
Current assets			
Stocks	12	20,383	
Debtors	13	5,915	
Cash at bank and in hand		9,790	
		36,088	
Creditors: amounts falling due within one year	14	(26,966)	
Net current assets			9,122
Total assets less current liabilities			30,490
Creditors: amounts falling due after more than one year	15		(22,790)
Provisions for liabilities and charges	18		(2,807)
Net assets			4,893
Capital and reserves			
Called up share capital	19		50
Share premium account			135
Merger reserve	20		315
Profit and loss account	20		4,393
Shareholders' funds – equity			4,893

These financial statements were approved by the board of directors on 22 April 2002 and were signed on its behalf by:


SR Bullas
Director


JC Fellows
Director

company balance sheet

at 26 January 2002

	Note	2002 £000	2002 £000
Fixed assets			
Investments	11		12,952
Current assets			
Debtors	13	17,305	
		17,305	
Creditors: amounts falling due within one year	14	(2,000)	
Net current assets			15,305
Total assets less current liabilities			28,257
Creditors: amounts falling due after more than one year			(22,700)
Net assets			5,557
Capital and reserves			
Called up share capital	19		50
Share premium account			135
Merger reserve	20		315
Profit and loss account	20		5,057
Shareholders' funds			5,557

These financial statements were approved by the board of directors on 22 April 2002 and were signed on its behalf by:

SR Bullas
Director

JC Fellows
Director

consolidated cash flow statement

period ended 26 January 2002

	Note	2002 £000
Cash flow from operating activities	25	12,281
Returns on investments and servicing of finance	26	(1,654)
Taxation		(1,447)
Capital expenditure and financial investment	26	(3,370)
Acquisitions	26, 28	(16,608)
Cash outflow before financing		(10,798)
Financing		
Increase in debt	26	20,588
Increase in cash in the period		9,790

reconciliation of net cash flow to movement in net debt

	Note	2002 £000
Increase in cash in the period		9,790
Cash inflow from increase in debt and lease financing		(24,438)
Change in net debt resulting from cash flows		(14,648)
Finance leases acquired with subsidiary		(259)
New finance leases		(223)
Movement in net debt in the period		(15,130)
Net debt at beginning of period		-
Net debt at end of period	27	(15,130)

notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 26 January 2002.

Goodwill, being the difference between the cost of acquisition of a business and the fair value of net assets acquired, is capitalised and amortised to the profit and loss account over a maximum estimated useful life of 20 years. The directors consider annually whether a provision against the value of investments on an individual basis is required. Such provisions are charged in the profit and loss account in the year.

Fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life.

The current rates of depreciation in use are:

Freehold land and buildings	- 2% per annum
Short leasehold property	- Length of lease
Fixtures and equipment	- 10%-25% per annum
Motor vehicles	- 20%-25% per annum

Certain software development costs are capitalised as computer equipment expenditure.

Reverse premiums and similar incentives

Benefits received and receivable by the group as an incentive to enter into a lease, are spread on a straight line basis over the period to the first review date on which the rent is expected to be adjusted to market rent.

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

The principal leased assets are properties acquired under operating leases. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

notes (continued)

1 Accounting policies (continued)

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred tax with the exception of potential liabilities relating to the sale of freehold land and buildings.

Turnover

Turnover represents the amounts charged to customers for goods supplied excluding value added tax.

Pension costs

The group contributes to employees' individual pension arrangements through a group personal pension plan which is administered separately from the group. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

2 Turnover

	2002 £000
UK	83,187
Export (all European Union)	328
	<u>83,515</u>

3 Profit on ordinary activities before taxation

	2002 £000
Profit on ordinary activities before taxation is stated after charging:	
Auditors' remuneration:	
Audit	20
Other services	8
Depreciation of tangible fixed assets:	
Owned	2,773
Leased	230
Branch closure costs	146
Loss on sale of fixed assets	53
Rentals payable under operating leases	9,816
Cost incurred in acquiring bonmarché Holdings Limited	207
Amortisation of goodwill	<u>9</u>

notes (continued)

4 Remuneration of directors

	2002 £000
Remuneration as executives	952

The emoluments excluding pension contributions of the highest paid director were £281,383. He is a member of a money purchase pension scheme under which the company contributed £13,125 during the period. Payments totalling £47,045 were made to non-executive directors in respect of fees.

Retirement benefits are accruing to five directors under money purchase pension schemes and personal pension arrangements.

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	2002 Number
Administration	86
Distribution	2,621
	2,707

The aggregate payroll costs of these persons were as follows:

	2002 £000
Wages and salaries	6,532
Social security costs	429
Other pension costs	132
	7,093

6 Interest receivable

	2002 £000
Bank interest	70
Other interest	14
	84

notes (continued)

7 Interest payable and similar charges

	2002 £000
On bank loans/overdraft	597
On loan stock	501
On loan notes	160
Finance charges payable in respect of finance leases	23
Other interest	27
Amortisation of facility arrangement fees	51
	<u>1,359</u>

8 Taxation

	2002 £000
UK corporation tax at 30% on the profit for the period on ordinary activities	2,261
Deferred taxation (note 18)	179
Adjustment relating to earlier years	(138)
	<u>2,302</u>

Tax reconciliation

The tax assessed for the period is higher than the standard rate of corporation tax (30%). The differences are explained below:

	2002 £000
Profit on ordinary activities before tax	6,695
Tax at standard rate (30%)	2,009
Explained by:	
Non-qualifying depreciation	245
Expenditure not deductible for tax purposes	156
Capital allowances in excess of depreciation	(114)
Other short term timing differences	(35)
Current period corporation tax charge (as shown above)	<u>2,261</u>

notes (continued)

9 Intangible fixed assets

Group	Goodwill £000
Cost	
At 5 March 2001	-
Acquisition of subsidiary undertaking	303
At 26 January 2002	303
Amortisation	
At 5 March 2001	-
Provided during the period at a rate of 5% per annum	9
At 26 January 2002	9
Net book value	
At 26 January 2002	294
At 5 March 2001	-

10 Tangible fixed assets

Group	Freehold land and buildings £000	Short leasehold property £000	Fixtures and equipment £000	Motor vehicles £000	Total £000
Cost					
At 5 March 2001	-	-	-	-	-
Acquisitions	2,166	106	17,350	1,061	20,683
Additions	3	22	3,224	435	3,684
Disposals	-	-	(224)	(66)	(290)
At 26 January 2002	2,169	128	20,350	1,430	24,077
Depreciation					
At 5 March 2001	-	-	-	-	-
Charge for period	28	13	2,717	245	3,003
At 26 January 2002	28	13	2,717	245	3,003
Net book value					
At 26 January 2002	2,141	115	17,633	1,185	21,074

The net book value of tangible fixed assets includes an amount of £621,000 in respect of assets held under finance leases and hire purchase agreements. Depreciation charged for the period on these assets amounted to £230,000.

notes (continued)

11 Fixed asset investments

Company	£000
Cost and net book value	
At 5 March 2001	-
Additions (note 28)	12,952
	12,952

The company's principal trading subsidiary undertaking included in these financial statements is **bonmarché** Limited, which is registered in England and Wales. The company owns the entire ordinary share capital of this company via its 100% holding in **bonmarché** Holdings Limited, which was acquired on 6 July 2001. A full list of the group companies will be included in the company's annual return.

12 Stocks

Group	2002 £000
Work in progress	2,903
Finished goods held for resale	17,480
	20,383

13 Debtors

	Group 2002 £000	Company 2002 £000
Trade debtors	281	-
Amounts due from subsidiary undertakings	-	17,305
Prepayments	5,000	-
Other debtors	634	-
	5,915	17,305

14 Creditors: amounts falling due within one year

	Group 2002 £000	Company 2002 £000
Bank loans	2,000	2,000
Trade creditors	12,818	-
Obligations under finance leases (note 17)	130	-
Corporation tax	1,676	-
Other taxes and social security	4,795	-
Other creditors and accruals	5,547	-
	26,966	2,000

notes (continued)

15 Creditors: amounts falling due after more than one year

Group	2002 £000
Bank loans	11,500
Loan notes	4,000
Loan stock	7,200
Obligations under finance leases (note 17)	90
	<u>22,790</u>

16 Loans

Group	2002 £000
Repayable within one year (note 14)	2,000
Repayable between two and five years (note 15)	22,700
	<u>24,700</u>

Bank loans totalling £11.5m attract interest at rates between Libor +1.5% and Libor +2%, and are repayable at £500,000 per quarter. A bank loan totalling £2m attracts interest at rates between Libor +1.75% and Libor +2.25% and is repayable in 2008.

The loan notes attract interest at 7% per annum. These are redeemable by 31 January 2005.

The loan stock attracts interest at rates varying between 12.5% and 9% per annum throughout its term. The loan is repayable in four equal biannual instalments starting on 31 January 2005.

The bank loans are secured by fixed and floating charges. The loan notes and loan stock are unsecured.

17 Obligations under finance leases

The maturity of obligations under finance leases is as follows:

Group	2002 £000
Repayable within one year	130
Repayable in the second to fifth years inclusive	90
	<u>220</u>

notes (continued)

18 Provisions for liabilities and charges

Group	Deferred taxation £000	Property related provisions £000	Holiday pay Provision £000	Total £000
Acquired during the period	457	1,647	332	2,436
Charge for the period	179	240	-	419
Utilised during the period	-	-	(48)	(48)
At end of period	636	1,887	284	2,807

The full potential liability for deferred tax, excluding a provision for potential taxation on the sale of land and buildings, is as follows:

	2002 £000
Accelerated capital allowances	703
Short term timing differences	(67)
	636

19 Called up share capital

Authorised

99,900,000 Ordinary shares of 10p each	9,990,000
100,000 'A' ordinary shares of 10p each	10,000
	10,000,000

Allotted, called up and fully paid

400,000 Ordinary shares of 10p each	40,000
100,000 'A' ordinary shares of 10p each	10,000
	50,000

On 6 July 2002 100,000 'A' Ordinary shares with a nominal value of £10,000 were allotted for consideration of £100,000.

On 6 July 2002 50,000 Ordinary shares with a nominal value of £5,000 were allotted for consideration of £50,000.

On 6 July 2002 350,000 Ordinary shares with a nominal value of £35,000 were allotted as consideration for the acquisition of **bonmarché** Holdings Limited.

All shares attract a cumulative preferential net cash dividend. This dividend will be based on 20% of net profit for the years ended 31 January 2003 and 31 January 2004, and 25% of net profit thereafter.

notes (continued)

20 Reserves

Group	Merger Reserve £000	Share Premium £000	Profit and loss account £000
At beginning of period	-	-	-
Premium on shares issued during the period	315	135	-
Retained profit for the period	-	-	4,393
At end of period	315	135	4,393

Company	Merger Reserve £000	Share Premium £000	Profit and loss Account £000
At beginning of period	-	-	-
Premium on shares issued during the period	315	135	-
Retained profit for the period	-	-	5,057
At end of period	315	135	5,057

21 Reconciliation of movements in shareholders' funds

	Group 2002 £000	Company 2002 £000
Profit for the financial period	4,393	5,057
Shares issued in period	500	500
Net addition to shareholders' funds	4,893	5,557
Opening shareholders' funds	-	-
Closing shareholders' funds	4,893	5,557

22 Capital commitments

Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

Group	2002 £000
Contracted	-

notes (continued)

23 Guarantees and commitments

(a) Annual commitments under non-cancellable operating leases are as follows:

	Group 2002 £000	Company 2002 £000
Operating leases which expire		
Within one year	1,035	49
In the second to fifth years inclusive	1,829	72
After five years	13,718	-
	<u>16,582</u>	<u>121</u>

(b) **bonmarché** Group Limited has entered into cross guarantees with **bonmarché** Holdings Limited and other subsidiary undertakings in respect of its bank borrowings and facilities.

(c) The group has a bank guarantee in favour of HM Customs & Excise amounting to £500,000.

24 Pension scheme

The group contributes to employees' individual pension arrangements through a group personal pension plan. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £227,860.

25 Reconciliation of operating profit to operating cash flow

	2002 £000
Operating profit	7,970
Depreciation charge	3,003
Amortisation of Goodwill	9
Loss on sale of fixed assets	199
Decrease in stocks	1,354
Decrease in debtors	6,435
Decrease in creditors	(6,881)
Increase in provisions	192
Net cash flow from operating activities	<u>12,281</u>

notes (continued)

26 Analysis of cash flows for headings netted in the cash flow statement

	2002 £000
Returns on investment and servicing of finance	
Interest received	84
Interest paid	(1,286)
Interest element of finance lease rentals	(22)
Loan facility fees	(430)
	<u>(1,654)</u>
Capital Expenditure	
Purchase of tangible fixed assets	(3,461)
Proceeds from sale of tangible fixed assets	91
	<u>(3,370)</u>
Acquisitions	
Purchase of subsidiary undertaking	8,602
Net bank overdraft acquired with subsidiary	8,006
	<u>16,608</u>
Financing	
Issue of Ordinary share capital	150
New Loans received	23,200
Repayment of loans	(2,500)
Capital element of finance lease rental payments	(262)
	<u>(20,588)</u>

27 Analysis of net debt

	At 5 March 2001 £000	Cash flow £000	Acquisitions £000	Other non cash changes £000	At 26 January 2002 £000
Cash at bank/bank overdraft	-	9,790	-	-	9,790
Debt due within one year	-	(2,000)	-	-	(2,000)
Debt due after more than one year	-	(22,700)	-	-	(22,700)
Finance leases	-	262	(259)	(223)	(220)
	-	<u>(14,648)</u>	<u>(259)</u>	<u>(223)</u>	<u>(15,130)</u>

notes (continued)

28 Purchase of subsidiary undertaking

On 6 July 2001 the company acquired 100% of the ordinary share capital of **bonmarché** Holdings Limited.

	Book and fair value to group £000
Net assets acquired:	
Tangible fixed assets	20,683
Stock	21,737
Debtors	11,971
Bank overdraft	(8,006)
Provision	(2,436)
Creditors	(31,300)
	12,649
Goodwill	303
	12,952
Satisfied by:	
Cash – purchase of shares	8,000
– associated costs of acquisition	602
Loan notes	4,000
Issue of shares – nominal value	35
– merger reserve	315
	12,952

No fair value adjustments have been made at 26 January 2002. Consequently, the fair values are included on a provisional basis subject to further review during the year ended 31 January 2003.

The **bonmarché** Holdings Limited consolidated accounts showed a profit after tax of £3,762,000 in the 52 week period ended 27 January 2001. In the period from 28 January 2001 to 5 July 2001, **bonmarché** Holdings Limited consolidated accounts showed a profit after tax of £655,000.

bonmarché Holdings Limited contributed £12,488,000 net cash inflow from operating activities and a net outflow from capital expenditure of £3,370,000 in the period.

29 Holding company profit and loss account

bonmarché Group Limited has not presented its own profit and loss account, as permitted by section 230 of the Companies Act 1985. The profit after tax dealt with in the financial statements of **bonmarché** Group Limited for the financial period is £5,057,000.