Bonmarché

Bonmarche Holdings plc

Interim results

for the 26 weeks ended 27 September 2014

1 December 2014

Bonmarché Holdings plc

(“Bonmarché” or the “Company” or the “Group”)

Interim Results

26 week period ended 27 September 2014

Bonmarché, one of the UK’s largest women’s value retailers, reports its interim results for the 26 week period ended 27 September 2014.

Financial Highlights:

- Total revenue up 11.8% at £91.1m (H1 FY14: £81.5m)
- Store LFL sales growth of 7.8%
- Profit before tax of £6.4m up 68.1% (H1 FY14: £3.8m); growth of 15% on underlying basis
- Profit before tax margin increased from 4.7% to 7.0% (6.8% to 7.0% on an underlying basis)
- Earnings per share were 9.9p (H1 FY14: 5.2p*; 8.7p** on underlying basis)
- Strong cash generation with cash and cash equivalents at half year end of £13.5m (H1 FY14: £11.3m)
- Interim dividend of 2.3 pence per share

* The H1 FY14 EPS figure uses the post IPO share capital structure to aid comparability.
** The H1 FY14 EPS figure uses the post IPO share capital structure and has been restated to exclude the exceptional items detailed in Note 7.

Operational Highlights:

- Good progress achieved with continued developments to product, pricing and supply chain
  - Higher rates of sale due to range improvements
  - Reduced entry prices in line with “first price, right price” strategy
  - Average selling price increased through stretching exit prices
  - Rationalised supplier base to an appropriate level for current product range

- Continued multi-channel improvements
  - Online sales penetration was 7.2% of total sales for the six months, up from 5.3% for comparative period last year
  - Development of new EPOS system on track

- Improved store estate
  - Refitted 11 stores in H1 FY15; approximately 40 further re-fits planned for FY16
  - Development of store portfolio with opening of 4 new stores and 9 “other” locations; on track to deliver FY15 new space target

- Actively testing growth opportunities
  - Ongoing trials of new growth opportunities - Ann Harvey and menswear ranges

Beth Butterwick, Chief Executive Officer of Bonmarché, commented:

“We are pleased with Bonmarché’s first half performance and our progress against our strategic objectives.

Towards the end of Q2, trading conditions became more difficult due to the unseasonably warm weather. These conditions have continued into the second half; however, on the basis that the weather returns to its normal seasonal pattern, the Board expects the current year’s performance to be in line with its original expectations.”

- **Ends –**

For further information regarding Bonmarché, please call:

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Notes to Editors:

Bonmarché is one of the UK’s largest women’s value retailers, focused on selling stylish, affordable, premium quality clothing and accessories in a wide range of sizes for women over 50 years old, via its own store portfolio, website, mail order catalogues and through the Ideal World TV shopping channel. Established in 1982, Bonmarché has more than 30 years of experience in this growing market segment, operating across the UK.

Chief Executive's Statement:

Financial results

Bonmarché had a good first half of the financial year, with total revenue growth of 11.8% - slightly better than expectations due to a strong first quarter. This translated into a profit before tax ("PBT") of £6.4m, representing growth of 68.1% (on an underlying basis: 15.0%). In line with our expectation, the product gross margin declined slightly. As we continued to invest in the business, absolute operating costs increased, although we achieved further improvement in the operating cost ratio. The PBT margin increased from 4.7% to 7.0% (on an underlying basis: 6.8% to 7.0%).

1. Profit & Loss Summary (Statutory basis)	**H1 FY15 £m**	**H1 FY14 £m**	**change**
Revenue	**91.1**	**81.5**	**11.8%**
Product gross margin	*57.8%*	*58.0%*	*(20bps)*
Operating expenses %	*50.6%*	*51.1%*	*50bps*
PBT	**6.4**	**3.8**	**68.1%**
PBT margin	*7.0%*	*4.7%*	*230bps*
Tax %	22.0%	31.3%	*930bps*
EPS	9.9p	5.2p*	4.7p
Interim dividend	**2.3p**	**n/a**	**n/a**

2. Profit & Loss Summary (Underlying basis)	**H1 FY15 £m**	**H1 FY14 £m**	**change**
Revenue	**91.1**	**81.5**	**11.8%**
Product gross margin	*57.8%*	*58.0%*	*(20bps)*
Operating expenses %	*50.6%*	*51.1%*	*50bps*
PBT	**6.4**	**5.5**	**15.0%**
PBT margin	*7.0%*	*6.8%*	*20bps*
Tax %	22.0%	21.4%	*(60bps)*
EPS	9.9p	8.7p**	1.2p
Interim dividend	**2.3p**	**n/a**	**n/a**

* The H1 FY14 EPS figure uses the post IPO share capital structure to aid comparability.

** The H1 FY14 EPS figure uses the post IPO share capital structure and has been restated to exclude the exceptional items detailed in Note 7.

Trading review

The growth in profit was driven by sales growth in both main channels, **7.8% store LFL** and **50.6% online**.

Having ended FY14 strongly, demand for spring/summer 2014 ranges was already established as the new financial year began. The business was thus well set up for the new season, with a clean terminal stock position.

We made good progress in many areas, which we highlight below, but external factors also had an impact on our performance. Most significantly, the weather from April to July 2014 created very strong demand for seasonal ranges, which generated a Q1 store LFL of 13.5%.

The second quarter performance was more mixed; July's hot weather continued to create strong demand for summer stock, and August's marked change to cooler weather created demand for transitional lines. As widely reported, the very warm September reduced demand for true autumn product categories and, consequently, the Q2 store LFL was lower, at 2.1%.

Online sales delivered strong growth in both quarters, but as with stores, the warm autumn reduced demand for heavier garments, and the online growth curve also dipped during September. Online sales represented 7.2% of total sales this half-year compared to 5.4% for the comparative period. The increase in online penetration is against a backdrop of strongly growing store LFL sales and an increase in sales from new space.

LFL & total sales growth	**Store only LFL% change**	**Online only sales % change**	**LFL stores + online % change**	**Total sales % change**
Q1 - 13 weeks ended 28 June 2014	13.5%	54.0%	15.8%	16.9%
Q2 - 13 weeks ended 27 September 2014	2.1%	47.6%	4.6%	6.8%
H1 - 26 weeks ended 27 September 2014	7.8%	50.6%	10.2%	**11.9%**

Sales from new space increased from £3.0m to £4.9m. The main sales components are analysed below, together with reconciling lines between our management figures and the statutory presentation of revenue, which shows 11.8% total growth.

Sales analysis (£m, incl. VAT)	**H1 FY15**	**H1 FY14**	**FY15 vs. FY14**	**% increase/ (decrease)**
Like-for-like sales	96.4	89.4	7.0	7.8%
New stores & concessions	4.9	3.0	1.9	65.3%
Online	7.9	5.2	2.7	50.6%
Total sales (per LFL calculation)	**109.2**	**97.6**	**11.6**	**11.9%**
Other	0.1	0.1	(0.1)	(48.7%)
VAT	(18.2)	(16.2)	(1.9)	11.9%
Total revenue (per accounts)	**91.1**	**81.5**	**9.6**	**11.8%**

The product gross margin was 57.8%, a 0.2% reduction from H1 last year, due mainly to our hedged US Dollars costing more during H1 this year. Whilst we had flagged the possibility of a larger reduction in margin due to the effects of the "first price, right price" strategy, this did not result in a significant impact, as although entry prices fell slightly, there was nevertheless a small increase in average selling prices. There was also a slightly lower level of discounting than in H1 FY14, due to higher rates of full price sell-through.

Operating costs increased, as we expected, as a result of continued investment in the capability of the business to grow, as well as some volume related increases and the normal effects of inflation. The operating cost ratio (based on underlying expenses) improved from 51.1% in H1 FY14 to 50.6% in H1 FY15. The main increases in cost related to net new space & online costs, marketing & customer service, inflation, and new colleagues in key areas, for example in buying & multi-channel.

Strategy update

Strategy overview

Our strategy comprises four main areas of focus:

1. Product
2. Multi channel
3. Stores
4. Other channels

Our update is covered under each of these headings.

Product

The most notable change for the spring/summer 2014 season compared to the 2013 equivalent has been the improvement made to the appeal of the ranges, which led to higher rates of sale. We believe this to have been the most influential internal factor which contributed to our performance.

We are pleased with the success of more contemporary styles – as we introduce more, they sell faster. It is clear our customers are enjoying this change, so we have adjusted our buying plans for future seasons accordingly.

Using the lessons learned from the beginning of the current autumn season, our approach for buying ranges for 2015 will evolve. The September to November period will contain a greater proportion of transitional garments that we can offer our customers outside of the core seasonal ranges.

Pricing

Our “first price, right price” policy has been maintained. This is intended to ensure that, especially for the lowest priced items in any given product category, our price is as competitive as it can be, and represents outstanding value for money when measured against offerings from competitors. We benchmark this regularly.

We have made progress is stretching exit prices (the highest priced items in any given product category), with average exit prices increasing from £26.24 in 2013 to £28.96. We believe there is further opportunity for price stretch, but progress will be gradual as price increases must be implemented judiciously. The combined effect is that average selling prices have increased from £14.87 in H1 FY14 to £15.14 in H1 FY15.

Ann Harvey

In August, we re-launched the Ann Harvey brand in 23 stores and online. This is focussed on occasion wear and smart day wear, with an extended size range designed to cater for size 16 to 32 customers. The range is priced approximately 25% above Bonmarché’s existing exit prices (on comparable clothing lines), but typically at least 20% below the Ann Harvey range under its previous guise. Ann Harvey is currently at trial scale with sales in H1 of £0.3m. This trial will continue whilst we learn which elements are successful and how best to develop the brand.

Menswear

After the half-year end, a trial of men’s clothing was launched. This is branded “Bonmarché” and born out of requests from our existing female customers. We will update more on this development as the trial progresses.

Supply chain

Work has continued on rationalising and professionalising the way we manage our supply chain. The number of active suppliers has been reduced further, now 92 from 119 during FY14. This number of suppliers is appropriate for the current product range. The principal benefit of having a leaner supplier base is that individual relationships can be more akin to a partnership, allowing collaborative working towards, for example, improved product “handwriting” and greater flexibility. We have also made progress in developing our ethical trading credentials.

Multi-channel

Some of the sales growth from this channel is a result of the continuing shift in consumers’ shopping preferences, which would occur regardless of our actions. Our aim is to embrace this shift, as well as making our online & multi-channel experience attractive to customers who may already be converted to online shopping but are new to Bonmarché.

The 51% online sales increase has been driven by increased visitor numbers, up from 4.0m to 6.3m. During this first half, we have made incremental improvements to the web layout and overhauled the style of our customer emails, both of which have improved conversion from site visits. However, *overall* conversion has fallen slightly, as we have observed a significant increase in the proportion of tablet devices used to interact with our site, and conversion rates from these visits are lower than from visits accessed by traditional pc’s or laptops.

Website

We are in the process of agreeing a new contract with our website provider, Venda, which will include provision for the development of a new “responsive” website in 2015. This will adapt the way the site looks and operates to match the device the customer is using with a view to improving conversion rates. These negotiations have been more protracted than we expected, due to Venda’s recent acquisition by Netsuite, however we have reached verbal agreement with Venda/Netsuite, and expect work to begin soon.

EPOS

Development of our new EPOS system is progressing well. An initial pilot of 5 stores took place during the autumn, the purpose of which was to test customer reaction, operational processes, technical interfaces and training. The intelligence from this was used to refine the technical interfaces and training elements in particular, following which a phase 2 pilot has been launched in a further 18 stores. The full rollout will begin after the Christmas trading season, and should be completed in the first half of 2015. We should begin to see the benefits during FY16, during which further layers of functionality will be introduced, allowing us progressively to improve the multi-channel service our customers receive.

Initial anecdotal feedback from customers and store colleagues has been very positive.

Stores & concessions

Refits

11 stores have been refitted during H1, at an average cost of £85k (or, £22 per square foot). This brings the number of stores in our new style to 39. We plan to carry out full refits on a further c. 40 stores during the next financial year, at a cost of approximately £18 per square foot. This will ensure that appearance of the store estate evolves as other elements of the business move forward.

Service

Our performance in serving customers is measured primarily using the “net promoter score” (nps) indicator. At the end of last year, this was 47% (meaning that 47% of respondents would positively recommend Bonmarché to another), and at the end of H1, had increased to 50%. We are pleased with this progress, which has required great effort from across the business, in particular from our retail colleagues.

We understand that for a clothing retailer, our 50% score would already be regarded as “excellent”, which is an encouraging indication of the loyalty of our customers. Coming from an already strong position, improvements will become progressively harder to achieve, and we therefore regard doing so as a core strategic objective which will require continual focus.

New space

At the end of H1, we traded from 262 solus Bonmarché stores and 13 “other” locations, having opened in the period 4 new solus sites and 9 “others”. The 13 “other” locations comprise:

	No.
Garden centres	5
Co-op (long standing concessions)	3
Department stores	2
Out of town “mill” centres	3
Total	13

In aggregate, performance has been better than required by appraisal plans although there is the inevitable mix of performance across individual sites. In relation to the “other” locations in particular, there is a wide variety of formats and location types, which prevents initial sales forecasts from being as accurate as we would expect for a solus site. However it is this variety which is a part of the attraction of these other sites, and our ability to predict sales will develop with experience. In the event that any do not perform well, the leases allow an exit after a year, and set up costs are low, which make the risks low.

For the full year, we are on track to open 5 solus sites and 15~20 “others” as planned.

Cash flow & balance sheet

Net cash of £5.3m was generated during the period, after funding payment of the maiden dividend and capex of £4.1m.

We ended the half-year with a strong balance sheet, with cash of £13.5m compared to £11.3m last year. We estimate that this figure is flattered by c. £1m due to timing differences, but even allowing for this, the liquidity position is good.

Dividend

The Board has declared an interim dividend of 2.3p per ordinary share, payable on 23 January 2015 to shareholders on the register on 12 December 2014.

Outlook

Bonmarché enjoyed a good first half performance, particularly in Q1, as our strategic actions allowed us to take advantage of the favourable trading conditions.

Towards the end of Q2, trading conditions became more difficult due to the unseasonably warm weather. These conditions have continued into the second half; however, on the basis that the weather returns to its normal seasonal pattern, the Board expects the current year's performance to be in line with its original expectations.

Our next scheduled announcement to the market is our post-Christmas sales update, on 15 January 2015.

Beth Butterwick
Chief Executive
1 December 2014

Unaudited condensed consolidated income statement

	Note	26 weeks ended 27 September 2014 £'000	26 weeks ended 28 September 2013 £'000	52 weeks ended 29 March 2014 £'000
		Unaudited	Audited	Audited
Revenue		91,085	81,484	164,294
Cost of sales		(68,539)	(61,582)	(124,516)
Gross profit		**22,546**	**19,902**	**39,778**
Administrative expenses		(12,239)	(12,598)	(24,648)
Distribution costs		(3,788)	(3,375)	(6,914)
Operating profit		**6,519**	**3,929**	**8,216**
Analysed as:				
Operating profit before exceptional items		6,519	5,679	11,466
Exceptional items	7	-	(1,750)	(3,250)
Finance income		3	-	-
Finance costs		(145)	(135)	(231)
Profit before taxation		**6,377**	**3,794**	**7,985**
Taxation	8	(1,403)	(1,187)	(2,419)
Profit for the period		**4,974**	**2,607**	**5,566**
Earnings per share (pence)				
Basic	9	10.5	1,951	23
Diluted	9	9.9	1,862	22
Post-exceptional adjusted diluted EPS	9	9.9	5.2	11.1

Unaudited condensed consolidated statement of comprehensive income

	26 weeks ended 27 September 2014 £'000 Unaudited	26 weeks ended 28 September 2013 £'000 Audited	52 weeks ended 29 March 2014 £'000 Audited
Profit for the period	**4,974**	**2,607**	**5,566**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
- fair value movements in other comprehensive income	1,131	(2,921)	(4,629)
- transfer from cash flow hedge reserve to profit or loss	1,389	(942)	224
Tax on cash flow hedges	(585)	905	1,029
Other comprehensive income/(loss) for the period	1,935	(2,958)	(3,376)
Total comprehensive income/(loss) for the period	**6,909**	**(351)**	**2,190**

Unaudited condensed consolidated balance sheet

	Note	As at 27 September 2014 £'000	As at 28 September 2013 £'000	As at 29 March 2014 £'000
		Unaudited	Audited	Audited
Non-current assets				
Property, plant and equipment	11	12,216	8,411	9,086
Intangible assets	11	3,128	2,684	3,259
Deferred tax asset		215	54	918
Total non-current assets		**15,559**	**11,149**	**13,263**
Current assets				
Inventories		22,028	19,748	22,131
Trade and other receivables		10,978	9,731	13,605
Cash and cash equivalents		13,516	11,283	8,222
Total current assets		**46,522**	**40,762**	**43,958**
Total assets		**62,081**	**51,911**	**57,221**
Current liabilities				
Trade and other payables		(36,218)	(33,672)	(34,867)
Financial liabilities		(197)	(81)	(75)
Current taxation payable		(1,337)	(1,269)	(1,431)
Derivative financial instruments	14	(289)	(2,267)	(2,809)
Total current liabilities		**(38,041)**	**(37,289)**	**(39,182)**
Non-current liabilities				
Other payables		(2,841)	(3,362)	(3,175)
Financial liabilities		(726)	(357)	(322)
Deferred tax liabilities		(447)	-	(524)
Total non-current liabilities		**(4,014)**	**(3,719)**	**(4,021)**
Total liabilities		**(42,055)**	**(41,008)**	**(43,203)**
Net assets		**20,026**	**10,903**	**14,018**
Equity				
Share capital		500	132	500
Share premium		1,496	-	1,496
EBT reserve		(1,187)	-	(1,187)
Cash flow hedge reserve		(228)	(1,745)	(2,163)
Retained earnings		19,445	12,516	15,372
Total equity		**20,026**	**10,903**	**14,018**

Unaudited condensed 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 30 March 2013		**132**	**-**	**-**	**1,213**	**9,833**	**11,178**
Profit for the period		-	-	-	-	2,607	2,607
Cash flow hedges							
- fair value movements in other comprehensive income		-	-	-	(2,921)	-	(2,921)
- transfer from cash flow hedge reserve to profit or loss		-	-	-	(942)	-	(942)
Tax on cash flow hedges		-	-	-	905	-	905
Total comprehensive (loss)/ income for the period		**-**	**-**	**-**	**(2,958)**	**2,607**	**(351)**
Share-based payment charge		-	-	-	-	131	**131**
Payment for shares		-	230	-	-	-	**230**
Share premium cancellation		-	(230)	-	-	230	**-**
Equity dividends paid		-	-	-	**-**	(285)	**(285)**
Balance at 28 September 2013		**132**	**-**	**-**	**(1,745)**	**12,516**	**10,903**
Profit for the period		-	-	-	**-**	2,959	2,959
Cash flow hedges							
- fair value movements in other comprehensive income		-	-	-	(1,708)	-	(1,708)
- transfer from cash flow hedge reserve to profit or loss		-	-	-	1,166	-	1,166
Tax on cash flow hedges		-	-	-	124	-	124
Total comprehensive (loss)/ income for the period		**-**	**-**	**-**	**(418)**	**2,959**	**2,541**
Share-based payment charge		-	-	-	-	259	**259**
Bonus issue of shares		362	-	-	-	(362)	**-**
Share capital issued to EBT		6	1,496	(1,187)	-	-	**315**
Balance at 29 March 2014		**500**	**1,496**	**(1,187)**	**(2,163)**	**15,372**	**14,018**
Profit for the period		-	-	-	**-**	4,974	4,974
Cash flow hedges							
- fair value movements in other comprehensive income		-	-	-	1,131	-	1,131
- transfer from cash flow hedge reserve to profit or loss		-	-	-	1,389	-	1,389
Tax on cash flow hedges		-	-	-	(585)	-	(585)
Total comprehensive income for the period		**-**	**-**	**-**	**1,935**	**4,974**	**6,909**
Share-based payment charge		-	-	-	-	137	**137**
Equity dividends paid	10	-	-	-	**-**	(1,038)	**(1,038)**
Balance at 27 September 2014		**500**	**1,496**	**(1,187)**	**(228)**	**19,445**	**20,026**

Unaudited condensed consolidated statement of cash flows

	Note	26 weeks ended 27 September 2014 £'000 Unaudited	26 weeks ended 28 September 2013 £'000 Audited	52 weeks ended 29 March 2014 £'000 Audited
Cash flows from operating activities				
Cash generated from operations	12	11,449	13,526	14,378
Interest paid		(98)	(795)	(891)
Tax paid		(1,456)	(2,719)	(4,005)
Net cash generated from operating activities		**9,895**	**10,012**	**9,482**
Cash flows from investing activities				
Purchases of property, plant and equipment		(4,071)	(1,892)	(3,623)
Purchases of intangible assets		(21)	(281)	(1,041)
Interest received		3	-	-
Net cash used in investing activities		**(4,089)**	**(2,173)**	**(4,664)**
Cash flows from financing activities				
Proceeds from the issue of ordinary shares		-	230	230
Repayments of loan from a parent company		-	(5,385)	(5,385)
Proceeds from finance lease arrangements		596	438	438
Capital element of finance lease rental payments		(70)	-	(40)
Dividends paid	10	(1,038)	(285)	(285)
Net cash used in financing activities		**(512)**	**(5,002)**	**(5,042)**
Net increase/(decrease) in cash and cash equivalents		**5,294**	**2,837**	**(224)**
Cash and cash equivalents at beginning of the period		8,222	8,446	8,446
Cash and cash equivalents at the end of the period		**13,516**	**11,283**	**8,222**

Reconciliation of net cash flow to movement in net cash

	Note	26 weeks ended 27 September 2014 £'000	26 weeks ended 28 September 2013 £'000	52 weeks ended 29 March 2014 £'000
Opening net cash		**7,825**	**2,423**	**2,423**
Net cash inflow/(outflow) from activities		5,294	2,837	(224)
(Increase)/decrease in debt financing		(526)	5,585	5,626
Movement in net cash		4,768	8,422	5,402
Closing net cash	13	**12,593**	**10,845**	**7,825**

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 Bonmarché Holdings plc and its subsidiaries (collectively, the Group) have been prepared for the 26 weeks ended 27 September 2014 and were approved by the Board of Directors on 28 November 2014.

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 29 March 2014 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 27 September 2014 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 29 March 2014, 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

In determining whether the Group's interim financial statements can be prepared on a going concern basis, the Directors considered its business activities together with factors likely to affect its future development, performance and financial position including cash flows, liquidity position, borrowing facilities and the principal risks and uncertainties relating to its business activities.

The Directors have considered carefully the Group's cash flows and banking covenants for the next twelve months from the date of approval of the Group's interim results. Conservative assumptions for working capital performance have been used to determine the level of financial resources available to the Group and to assess liquidity risk. The key trading risks identified by the Directors are the impacts that a deterioration in the economic climate, or of a sustained period of poor weather might have on the Group's sales.

The Group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that it will have sufficient headroom within its current banking facilities of £10m, which are committed until 13 May 2016.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the interim 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 29 March 2014, except where new standards and interpretations have been adopted.

In the current financial year, the Group has adopted IFRS 10 'Consolidated Financial Statements' and IFRS 12 'Disclosure of Interests in Other Entities', both of which replace IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 defines the principles of control and the basis for determining which entities are consolidated in the consolidated financial statements and IFRS 12 sets out the disclosures required of the entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. In applying IFRS 10 and IFRS 12, the Group has made no changes to its basis of consolidation and there are no material additional disclosures required.

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by the Directors were consistent with those that applied to the Group's annual financial statements for the 52 weeks ended 29 March 2014.

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 to assess both performance and 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. Exceptional items

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

Exceptional items comprise:

	Footnote	26 weeks ended 27 September 2014 £'000	26 weeks ended 28 September 2013 £'000	52 weeks ended 29 March 2014 £'000
Management fees	a	-	(1,500)	(1,500)
Ann Harvey brand	b	-	(250)	(250)
IPO deal fees	c	-	-	(1,500)
		-	**(1,750)**	**(3,250)**

Footnotes

a Management fees paid to an affiliate of the parent undertaking, Sun Capital Partners Management V, LLC, in relation to the early termination of a management fee arrangement due to the admission of the Group onto AIM.

b On 30 April 2013, the Group purchased the intellectual property assets including the brand, trademark and associated registrations of 'Ann Harvey'. The Group was not trading under any brand acquired and, accordingly, no value was attributed to the intangible asset acquired and the carrying value was therefore impaired.

c Legal and professional fees paid in relation to the IPO on 20 November 2013.

8. Taxation

Tax for the 26 weeks to 27 September 2014 has been provided for at an effective rate of 22.0% representing the Group's forecast effective tax rate for the full year (26 weeks ended 28 September 2013: 31.3%; 52 weeks ended 29 March 2014: 30.3%). The effective rate is higher than the UK Corporation tax rate, due to expenses not deductible for tax purposes. These include the share-based payments charge, and depreciation on owned assets that do not qualify for capital allowances.

Notes to the unaudited condensed consolidated financial statements (continued)

9. Earnings per share

	26 weeks ended 27 September 2014	26 weeks ended 28 September 2013	52 weeks ended 29 March 2014
Profit attributable to ordinary shareholders (£'000s)	4,974	2,607	5,566
Basic earnings per share (pence)	10.5	1,951	23
Diluted earnings per share (pence)	9.9	1,862	22

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

For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has one category of potentially dilutive ordinary shares, being management shares not yet vested.

The weighted average number of shares is as follows:

	26 weeks ended 27 September 2014 Number	26 weeks ended 28 September 2013 Number	52 weeks ended 29 March 2014 Number
Number of ordinary shares in issue	47,480,825	133,649	23,832,343
Potentially dilutive shares	2,537,325	6,400	1,508,524
Number of diluted ordinary shares	50,018,150	140,049	25,340,867

Post-exceptional adjusted diluted earnings per share

In order to compare earnings per share year-on-year and to aid future comparisons, the weighted average number of shares in issue has been restated on a pro-forma basis to reflect the post-IPO share capital structure, which has significantly more shares than the pre-IPO structure. The adjustment assumes the total shares issued post-IPO were in issue throughout the whole of FY14.

	26 weeks ended 27 September 2014 Pence	26 weeks ended 28 September 2013 Pence	52 weeks ended 29 March 2014 Pence
Post-exceptional adjusted diluted earnings per share (pence)	9.9	5.2	11.1

Notes to the unaudited condensed consolidated financial statements (continued)

10. Dividends

On 5 August 2014 a final dividend of 2.1 pence per share, amounting to £1.0m, was paid in respect of the 52 weeks ended 29 March 2014. In the 26 weeks ended 28 September 2013, a dividend of 3,589 pence per share was paid to B shareholders of Bluebird UK Topco Limited, the previous parent company, amounting to £0.3m.

The Directors have declared an interim dividend of 2.3 pence per share, which will amount to £1.1m, for the 26 weeks ended 27 September 2014. The dividend will be paid on 23 January 2015 to shareholders on the register at the close of business on 12 December 2014.

11. Capital Expenditure

	Property, plant and equipment £'000	Intangible assets £'000
Net book value at 30 March 2013	7,173	2,834
Additions	2,112	281
Depreciation and amortisation	(874)	(181)
Provision for impairment	-	(250)
Net book value at 28 September 2013	**8,411**	**2,684**

	Property, plant and equipment £'000	Intangible assets £'000
Net book value at 28 September 2013	8,411	2,684
Additions	1,695	760
Disposals	(65)	-
Depreciation and amortisation	(955)	(185)
Net book value at 29 March 2014	**9,086**	**3,259**

	Property, plant and equipment £'000	Intangible assets £'000
Net book value at 29 March 2014	9,086	3,259
Additions	4,364	21
Disposals	(34)	-
Depreciation and amortisation	(1,200)	(152)
Net book value at 27 September 2014	**12,216**	**3,128**

Notes to the unaudited condensed consolidated financial statements (continued)

12. Cash generated from operations

	26 weeks ended 27 September 2014 £'000	26 weeks ended 28 September 2013 £'000	52 weeks ended 29 March 2014 £'000
Profit before tax	**6,377**	**3,794**	**7,985**
Adjustments for:			
- Depreciation	1,200	874	1,829
- Loss on disposal of property, plant and equipment	34	-	65
- Amortisation of intangible assets	152	181	366
- Provision for impairment of intangible assets	-	250	250
- Amortisation of deferred arrangement fees	-	23	23
- Share-based payment charge	137	131	390
- Finance costs* – net	142	135	231
- Decrease/(increase) in inventories	103	435	(1,948)
- Decrease in trade and other receivables	2,673	3,806	171
- Increase in trade and other payables	631	3,897	5,016
Cash generated from operations	**11,449**	**13,526**	**14,378**

* Finance costs in H1 of FY15 mostly comprised fees for the Group's undrawn banking facilities. In H1 of FY14, finance costs comprised interest payable to an affiliate of the parent undertaking, Sun Capital Partners Management V, LLC.

13. Analysis of net cash

	26 weeks ended 27 September 2014 £'000	26 weeks ended 28 September 2013 £'000	52 weeks ended 29 March 2014 £'000
Cash & cash equivalents	13,516	11,283	8,222
Finance lease liabilities	(923)	(438)	(397)
Net cash	**12,593**	**10,845**	**7,825**

Notes to the unaudited condensed consolidated financial statements (continued)

14. 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

	27 September 2014 £’000	28 September 2013 £’000	29 March 2014 £’000
Forward foreign exchange contracts – cash flow hedge (Level 2) liability	**(289)**	**(2,267)**	**(2,809)**
Forward foreign exchange contracts – (notional principal amount)	**48,624**	**67,582**	**43,301**

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 12 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.