19 June 2018

Bonmarché Holdings plc

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

Preliminary Results for the 52 week period ended 31 March 2018

Bonmarché, one of the UK's largest women's value fashion retailers, reports its preliminary results for the 52 week period ended 31 March 2018.

Financial Highlights:

- PBT £8.0m (FY17: £5.8m), an increase of 38.1%
- Underlying PBT £8.0m (FY17: £6.3m), an increase of 27.0%
- Total revenue £186.0m (FY17*: £190.1m)
- Online sales up 34.5%, store like-for-like sales down 4.5%
- Online sales participation increased to 9.5% of total sales (FY17: 7.0%)
- Basic EPS 13.1p (FY17: 9.2p), an increase of 42.4%
- Inventory levels reduced by 4.8% to £23.9m
- Cash generated from operations £10.6m (FY17: £9.5m)
- Recommended final dividend increased to 5.25p per share, bringing the total for FY18 to 7.75p, an increase of 8.5% (FY17 total dividend: 7.14p)

Operational Highlights:

- Delivered profit growth in line with Board’s expectations in a challenging market, through strong online growth, and tight control of gross margin and costs
- Improved cross-functional working resulted in good progress modernising the Bonmarché proposition
- Strong online sales growth and increased profitability has been driven by multiple improvements to online customer experience and more effective marketing
- Product highlights included a relaunched, higher quality denim range giving real authority in this area. A more agile supply base enables us to react more quickly to customer demands
- Made tangible improvements in customer service such as in-store ordering, a simplified loyalty scheme, and a greater focus on in-store customer service during peak shopping hours
- Maintained flexibility of store estate to allow rapid reaction to future changes in consumer shopping preferences

Helen Connolly, Chief Executive of Bonmarché, commented:

“Against the backdrop of challenging trading conditions, I am pleased that we have delivered an increase in profit before tax compared to last year.

“We have made good progress in all areas, particularly online, where we have seen strong growth, whilst also making improvements through a number of other self-help initiatives including the product proposition, the loyalty scheme, and developing a more agile supply base.

“Whilst we expect the market to remain difficult, trading since the beginning of the new financial year has been stronger than during H2 of FY18, and is in line with the Board's expectations. We have a clear strategy in place to continue to improve our proposition, which we expect to do during FY19 and

* *“FY17” refers to the 53 week period ended 1 April 2017*

beyond. We remain confident that with its unique offering, aimed at fashion and value conscious women, Bonmarché is well positioned for future growth."

Analyst Meeting

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

For further information regarding Bonmarché, please call:

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Jonathon Brill	
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Notes to Editors:

Bonmarché is one of the UK's largest women's value fashion retailers, focused on selling clothing and accessories in a wide range of sizes, via its own store portfolio and online. Established in 1982, Bonmarché has 35 years of experience in this market segment, operating across the UK.

Forward looking statements

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

CHAIRMAN'S STATEMENT

As expected, the retail clothing market remained difficult during FY18. However, whilst the high street challenges continued, online sales were more resilient, due to both the evolution of our customers' shopping habits, and the improvements we have made to our online store. Overall, demand was stronger during the first half of the year but fell back noticeably and remained weak during the autumn and through the winter.

Despite this backdrop, I am pleased with the progress that has been made, enabling us to report respectable growth in profit before tax. Strong online growth, good work in mitigating currency headwinds and tight control of costs all played their part in offsetting the decline in sales in the bricks and mortar stores.

Overall, through improved cross-functional working and more agile trading, we have made good progress in all areas, particularly online; we have also made a number of notable improvements to the product proposition, and to the efficiency of the loyalty scheme through reducing discounting.

We remain confident that the expected increase in the population of people aged 50+ over the next several years makes Bonmarché's market positioning increasingly attractive. The unique proposition for fashion and value conscious, mature women, through online and store channels, continues to differentiate Bonmarché from other retailers.

The strategy remains straightforward and broadly as set out previously – the main themes are to retain a clear view and understanding of our customers, to improve the effectiveness of our operations, and ultimately to grow through modernising every aspect of the customer proposition.

Employees

The effort and commitment of Bonmarché's employees has continued to be exemplary, and on behalf of the Board and management team, I would like to take this opportunity to thank them for their support and continuous hard work.

The Board

Following several changes to the composition of the Board in FY17, FY18 has been a year of stability with regard to the makeup of the Board. The only change has been in relation to the Board Observer appointed under the terms of Sun's relationship agreement, whereby Tim Stubbs replaced Michael Kalb on 8 August 2017.

Corporate governance

Throughout the year the Group complied with the UK Corporate Governance Code requirements in respect of Board and committee membership.

The Code's "comply or explain" approach permits listed companies some degree of flexibility to apply governance principles other than in strict accordance with the Code, for example, to take account of differences in business size and complexity. Bonmarché's small size and straightforward business model would afford us the opportunity to use this flexibility, but we have not sought to do so and believe that we are fully compliant with the Code.

Dividend

As a statement of the Board's confidence in the prospects of the business, the dividend has been maintained in recent years, despite the level of profits being lower than previously. The Group operates a progressive dividend policy, with the intention that as profits increase, the level of dividend will also increase. Accordingly, the Board is recommending a final dividend of 5.25 pence per share in respect of FY18, making the total dividend for the year 7.75 pence per share, a growth of 8.5%. If approved by shareholders at the AGM on 26 July 2018, the dividend will be paid on Friday 3 August 2018 to shareholders on the register as at the close of business on Friday 29 June 2018.

Outlook

Trading since the beginning of the new financial year has been in line with the Board's expectations. The financial position of the business continues to be sound, with no net debt, and the robust balance sheet provides a stable platform for the future.

We will continue to improve our proposition, through the implementation of a series of self-help initiatives. Whilst we anticipate that the market will remain difficult, we expect these ongoing improvements to make a real difference to customers, and we look forward, with confidence, to delivering further progress in the coming financial year.

John Coleman
Chairman

19 June 2018

Operating and Financial review

Summary

The Group's profit before tax ("PBT") for the 52 week period ended 31 March 2018 ("FY18") was £8.0m, a £1.7m, or 27.0%, increase on the FY17 underlying PBT of £6.3m. Online sales grew strongly throughout the financial year, against comparatives that became more difficult in the fourth quarter; however, store sales were disappointing. Overall, we are pleased with the progress this result represents, in a retail clothing market that became more challenging as the year progressed.

Whilst total sales for the year therefore declined slightly, the gross margin percentage was resilient in the face of an adverse FX movement, which was largely mitigated through tight stock control and improvements to the loyalty scheme, which led to lower discounting. Through improved operational efficiency and reduced but more effective marketing expenditure, we made significant overhead cost savings.

The Group's financial position remains sound, and the Board is recommending a final dividend of 5.25 pence per share in respect of FY18, making total dividends for the year 7.75 pence per share. This represents an increase of 8.5% in the full year dividend.

Profit and Loss Summary	**FY18**	**FY17 ***	
	£m	**£m**	**Change**
Revenue	**186.0**	**190.1**	**(2.1%)**
Product gross margin	108.6	111.5	(2.5%)
Product gross margin %	58.4%	58.6%	(20bps)
Underlying operating expenses	100.5	105.0	4.2%
Underlying operating expenses %	54.1%	55.2%	110bps
PBT	8.0	5.8	38.1%
Underlying PBT	**8.0**	**6.3**	**27.0%**
Underlying PBT margin %	4.3%	3.3%	100bps
Basic EPS	13.1p	9.2p	42.4%
Underlying basic EPS	13.1p	10.1p	29.7%
Dividend per share	**7.75p**	**7.14p**	**8.5%**

***** *Note: the FY17 figures in this table are stated on a 53 week basis*

Memo information: **Underlying EBITDA and PBT**	**52 weeks ended 31 March 2018 £'000**	53 weeks ended 1 April 2017 £'000	Increase/ (decrease) £'000	Increase/ (decrease) %
Profit before taxation	8,000	5,793	2,207	38.1%
Exceptional items	-	507	(507)	-
Underlying profit before taxation	8,000	6,300	1,700	27.0%
Net finance costs	102	157	(55)	(35.0%)
Depreciation and amortisation	4,833	4,830	3	0.1%
Underlying EBITDA	12,935	11,287	1,648	14.6%
Statutory basic earnings per share (pence)	13.1p	9.2p	3.9p	42.4%
Underlying basic earnings per share (pence)	13.1p	10.1p	3.0p	29.7%

Other memo information:	**52 weeks ended 31 March 2018 £'000**	53 weeks ended 1 April 2017 £'000	Decrease £'000	Decrease %
Property lease costs	19,358	19,710	352	1.8%

Sales

To provide a like for like sales comparison against the FY17 financial year, which comprised the 53 week period ended 1 April 2017, the table below shows the FY17 sales for the 52 weeks ended 1 April 2017 as a comparator to the 52 week period of FY18. The 53rd week in FY17 delivered total revenue of £3.1m, giving total FY17 revenue of £190.1m, compared to £187.0m on a 52 week basis, and per the table below.

Memo	**FY18**	**FY17**	**FY18 vs. FY17**	**% increase /(decrease)**
LFL sales	186.4	195.1	(8.7)	(4.5%)
New stores FY17	7.6	5.3	2.4	45.4%
New stores FY18	1.9	0.0	1.9	100.0%
Stores relocated in the period	5.5	5.5	0.0	0.2%
Sales from stores closed in period	0.4	2.6	(2.2)	(83.5%)
Online	21.2	15.8	5.4	34.5%
Total sales (incl. VAT)	**223.1**	**224.3**	**(1.2)**	**(0.5%)**
VAT	(37.1)	(37.3)	0.2	(0.5%)
Total revenue (52 week basis)	**186.0**	**187.0**	**(1.0)**	**(0.5%)**
Memo: LFL and online sales combined	207.7	210.9	(3.2)	**(1.5%)**

Online sales grew by 34.5%, and sales from stores open throughout both periods ("like for like" or "LFL" sales) declined by 4.5%. There was a net increase in sales of £2.1m due to new selling space, and total sales therefore decreased by 0.5% compared to the equivalent 52 week period in FY17. The sales increase from new space was derived from stores that opened during FY17, contributing a full year’s sales during FY18; sales from stores which were opened during FY18 were broadly matched by a reduction in sales as a result of stores closed during the year.

The online sales performance was very encouraging, resulting in an increase in the online participation to 9.5% from the 7.0% of FY17. This:

- endorses our focus on the online channel and suggests that we have been effective in making improvements;
- confirms that our strategy to keep pushing for significant growth from this channel is right; and
- indicates that the overall product/price proposition is capable of delivering strong growth.

Store sales were disappointing overall, but the performance was not even throughout the year. The store LFL was strong during Q1 and during September, leading to a strong H1 growth compared to the previous year, but store sales weakened significantly in H2, with October, December and March being especially poor. Whilst opportunities remain to improve the proposition, the online performance suggests that the proposition was competitive, and we therefore conclude that external market factors were a significant contributor to the store performance.

Product gross margin

We highlighted in last year’s annual report that the devaluation of the pound against the dollar following the Brexit vote would have a negative impact on the gross margin, resulting in FY18’s gross margin being lower than FY17’s. The FY18 gross margin decline of 20bps versus FY17 was smaller than we had expected. Our policy to hedge future currency exposure has delayed the impact of the currency fluctuations, however, there will be a further negative impact on the FY19 gross margin as hedges put in place during FY18 mature.

The buying team has worked well during the year to refine the supplier base, and to work with suppliers to buy as efficiently as possible, mitigating the adverse impact of currency movements. In addition, and where appropriate in the context of the competitive environment, we have increased some selling prices, but have not sought to pass on in full to customers the higher cost of imports. The evolution in the mix of products sold has also had the effect of raising the average selling price.

The higher than expected margin was chiefly due to a reduction in discounting compared to last year, an achievement we are pleased with in such difficult market conditions. This resulted from a combination of the following actions or initiatives:

- We have referred previously to working in a more agile fashion. Applying this approach, last year we bought a lower proportion of stock in advance of the selling season, allowing committed stock levels to be kept lower than they would otherwise have been. If demand is lower than expected, as transpired, further stock remains unbought, reducing the overall stock level and consequently requiring less discounting to achieve a low end of season, or “terminal”, stock level.
- The more agile buying approach also enabled plans to be altered in response to demand/performance. For example, in FY18, the quantity of tops bought was lower than originally planned, as this category was selling poorly, and the plan was altered to raise the quantity of leisurewear, which sold well.
- The greater flexibility also allowed repeat buys of certain lines which had sold strongly following initial release.
- As discussed in the Strategy update, by targeting discounts given to Bonus Club members more effectively, we reduced the cost, whilst improving the overall offer.
- The promotional calendar has been revised, and made more flexible, to reduce discounts whilst retaining a high enough cadence of promotions to keep customers interested and engaged.

Operating expenses

Operating expense summary FY17 figures in this table are on a 53 week basis	FY18 £'m	FY17 £'m	Change
Revenue	186.0	190.1	(2.1%)
Underlying operating expenses	(100.5)	(105.0)	(4.2%)
Underlying operating expenses %	(54.1%)	(55.2%)	120bps

Underlying operating expenses fell to £100.5m, a reduction of 4.2% from FY17's £105.0m as a result of:

- FY18 being a 52 week reporting period, and thus a week shorter than FY17;
- the non-recurrence of certain one off costs which affected FY17; and
- a focus on reducing costs, to mitigate the effect of weaker than expected sales and from the FX headwind noted above.

The 53rd week that was added to FY17's reporting calendar to realign the financial year end date with the calendar, required an additional £1.9m of costs to be accounted for within FY17. There was no corresponding requirement in respect of FY18.

Certain costs were incurred in FY17 which were not expected to repeat in FY18, most notably the costs of making changes to the head office structure.

As noted in the Strategy update, there has been a focus on improving operational efficiency and effectiveness, particularly in stores and the distribution centre. In some instances the improvements will facilitate an increase in flexibility or improvement in customer service, but primarily the intention has been to reduce costs. This effort has helped mitigate the impact of the difficult trading environment, as well as instances of unavoidable high inflation such as the statutory increase in the hourly minimum/living wage.

Marketing costs were significantly lower than in FY17, when approximately £1m was spent on a national TV advertising campaign which was not repeated in FY18. Some of the saving was reinvested in other forms of offline marketing such as the catalogues that will continue to form an important part of our marketing mix, but some flowed through to the bottom line. Online marketing costs were also lower than the previous year following the appointment of a new digital marketing agency, and better management of the agency by the online team.

Overall LFL store rent deflation was 0.3%; the property portfolio is discussed in the Strategy update. The recent changes to the business rates arrangements tended to increase the rates charges for prime shop locations and reduce the cost of secondary locations, which produced a net reduction in business rates for Bonmarché.

There was no net change in the depreciation charge, although this is expected to increase in future years, reflecting the continuing investment in systems, improvements to the customer proposition, and new stores.

There were some cost increases, for example due to the opening of new stores in FY17 & 18 (despite the reduction in store numbers at the year end, the timing of openings/closures resulted in an overall increase in costs), and a reduction in the rent free benefit as the accounting amortisation periods for some landlord incentives expired.

The operating expense ratio fell to 54.1% from 55.2%, an improvement of 110bps. Through the operational improvements described in the Strategy update, we will seek to improve this ratio further for FY19, although total operating expenses for FY19 will increase compared to FY18.

Net finance costs

Net finance costs remain insignificant and broadly in line with the previous year. The charges comprise the cost of maintaining the Group's £10m revolving credit facility, which remained undrawn throughout the period, and the cost of finance lease/hire purchase agreements, net of interest received on deposits.

Tax

The effective tax rate for FY18 decreased by 270bps to 20.4% (FY17: 23.1%), 140bps higher than the statutory rate of 19.0% (FY17: 20.0%).

The decrease was a result of:

- a 100bps reduction in the statutory rate;
- the increase in the PBT compared to FY17 being proportionately greater than the change in depreciation and other items in respect of which the statutory profit must be adjusted to arrive at the taxable profit, reducing the ratio of tax to statutory PBT. This equated to a 90bps reduction in the effective rate;
- FY18's capex comprising a lower proportion of non-qualifying expenditure than FY17's, equating to a 80bps reduction. Principally, this was due to only 10 new stores being opened in FY18 compared to 25 in FY17.

The effective tax rate applicable to the Group is usually higher than the statutory rate due to part of the costs of fitting out new stores being disallowable expenditure in the calculation of capital allowances.

Earnings per share and dividends

The statutory basic earnings per share for the year were 13.1 pence (FY17: 9.2 pence). The underlying basic earnings per share (before charging exceptional costs) were also 13.1 pence (FY17: 10.1 pence).

Whilst the level of profits in recent years has been lower than previously, the dividend has been maintained, as a mark of the Board's confidence in the prospects of the Group, and of the Group's strong cash position, which has not created the need for any reduction. The Group operates a progressive dividend policy, meaning that if profits increase, the level of dividend should also increase. Accordingly, the Board is recommending a final dividend in respect of FY18 of 5.25 pence per share, making the total dividend for the year 7.75 pence per share, a growth of 8.5%. If approved by shareholders at the AGM on 26 July 2018, the dividend will be paid on Friday 3 August 2018 to shareholders on the register as at the close of business on Friday 29 June 2018.

When the Group first listed on the public markets in 2013, it stated that the progressive dividend policy would operate within the guideline of maintaining a dividend cover of 2.5x to 3.0x earnings. In maintaining the dividend in recent years, the Board has deviated from this range, for example, the cover in respect of the FY17 dividend was 1.4x, and cover in respect of the proposed FY18 dividend is 1.6x. Although these covers are lower than the stated range, this has not created any difficulty in relation to cashflow, and, therefore, the Board has decided to review whether the required cover range should be reduced. We will communicate any revision to the policy at the time of updating on our Q1 results, on 26 July 2018.

Stock

The value of stock held at the Group's premises at the end of March was £1.6m higher than last year, reflecting a short term increase required in preparation for the relaunch of the formal trouser ranges. Due to this stock arriving early, the value of stock in transit from suppliers (included within stock and creditors) was £2.8m lower than last year, resulting in a slight overall decrease in the value of stock reported at the year-end, to £23.9m from FY17's £25.1m.

Although the overall stock level is broadly similar to last year, the mix is better; the value of terminal stock from the autumn/winter 2017 selling season is 28% lower at the end of FY18 than last year, at £2.0m compared to £3.3m last year. The reduction is greater when measured in units of stock, with 222,000 units held at the end of FY18 compared to 328,000 at the end of FY17, a 32% reduction. This lower terminal stock level facilitates easier back of house operations in stores, a less cluttered sales floor, and reduces the future discount requirement.

Capital Expenditure

Capital additions in relation to investments in property, plant and equipment, and intangible assets during FY18 totalled £6.7m (FY17 total: £10.0m).

The major areas of investment were:

	FY18	**FY17**
	£'m	**£'m**
Stores	2.8	3.4
Systems	3.2	5.6
Other	0.7	1.0
Total	6.7	10.0

The investment in stores comprised new stores and concessions and store maintenance, which are discussed in more detail in the Strategy update. The investment in systems is a primarily in connection with the ongoing programme to replace the Group's legacy systems, which also receives further comment in the Strategy update.

"Other" comprises smaller items, including the cost of lease renewals.

Cash flow and cash position

	FY18	**FY17**
	£'000	**£'000**
Profit before tax	8,000	5,793
Depreciation & amortisation	4,833	4,830
Working capital movements	(2,487)	(1,308)
Capital expenditure	(6,776)	(10,981)
Tax paid	(1,513)	(1,805)
Dividends	(3,459)	(3,413)
Other	148	43
Net cash outflow for the year	(1,254)	(6,841)
Opening net cash balance	5,535	12,376
Closing net cash balance	4,281	5,535

The Group's net cash balance decreased to £4.3m from FY17's closing balance of £5.5m, principally due to two timing differences which are expected to reverse during FY19:

- a short term timing difference arose over the year end, due to the Good Friday bank holiday on 30 March 2018 causing the credit card debtor to increase by c£0.5m compared to FY17; and
- the bringing forward of stock purchases ahead of the trouser re-launch, as noted above, also brought forward the timing of the corresponding payments, reducing the year end cash balance.

Capital expenditure payments were £6.8m, £4.2m lower than in FY17 which included a higher than normal level of payments on account of £4.0m relating to the prior year. Dividend and tax payments were broadly in line with the prior year.

It is worth noting that the cash position at the year end represents the lowest point in the Group's cash operating cycle, due to sales levels during the preceding quarter being lower than at other times of the year, and as a result of to several large payments falling due shortly before each year end. To put this into context, the average month end net cash balance during FY18 was approximately £15.0m.

The Group maintained its £10.0m revolving credit facility with Barclays Bank plc, which expires at the end of March 2020 and remained undrawn throughout the period.

Impact of IFRS16, leases

From the beginning of FY20, the Group will be required to adopt IFRS16 in its accounting for leases. This will have a significant impact on the Group's balance sheet and EBITDA, but the impact on PBT should be significantly smaller. The nature of the calculations makes it difficult to produce reliable estimates based on shorthand methods, therefore, we will perform the detailed calculations required in respect of each individual lease before publishing an illustration of the expected effect. This process will take some time, and we will provide a more detailed update when we report our interim results in November.

Strategy update

Overview, customers and market positioning

As a retailer of women's clothing, Bonmarché aims to serve the target market by recognising that it has particular requirements in terms of style, fit and quality. Fit is an especially important product attribute for Bonmarché's customers, and we also offer a broader range of sizes than many competitors, as well as a broader range of lengths in trousers and skirts. By focusing on sizing and fit, we continue to differentiate ourselves from other retailers.

Bonmarché's average prices are typically positioned between the true discounters and the mid-market. Whilst price is important, especially in the current market, "value for money" is more relevant as we do not seek to compete on price alone, but rather to focus on the whole customer proposition.

We operate in a highly competitive market, and, as has been widely reported, the conditions faced by fashion retail have been very difficult in recent times. We believe that our focus on fashion and value conscious mature women, and our ability to offer the convenience of shopping on the high street, in outlets and garden centres, as well as online, continues to differentiate us from other retailers. Meanwhile, the expected increase in the population of people aged 50+ over the next several years, makes our market positioning attractive.

Having defined our target customers and market positioning, the concept of our strategy is straightforward: to gain a greater share of the market by constantly improving our offer at a faster rate than our competitors. The narrative which follows sets out the main ways in which we seek to do this.

The guiding themes to the approach are as set out previously:

- modernisation of the customer proposition;
- supported by a clear view of our customers; and
- improve the effectiveness of operational execution.

We categorise the plan into five main functional headings:

1. Product
2. Online
3. Loyalty
4. Stores
5. Systems/processes.

Overall, through improved cross-functional working and more agile trading, we have made good progress in all areas. The area that has contributed most strongly to this year's growth in profits has been online; we have also made a number of notable improvements to the product proposition, and to the efficiency of the loyalty scheme through reducing discounting. Sound progress has been made in the other areas to prepare for growth in the future.

Product

Product range

The proposition is led by the product offer, and customers have continued to embrace its more modern look and feel. Under the guiding principle of appealing to our model customer profile, "Lisa", we have made progress in several key categories.

Denim was relaunched in all stores following a successful trial and this new range achieved a 50% increase in sales compared to the previous equivalent. This reflected the new range's higher quality, greater “authenticity” (the credibility of the styling), as well as an improved end to end execution of how the proposition is presented to customers, including new display fixtures, more informative point of sale material and staff training.

Other highlight performances included leisurewear, driven by improved fabric quality and feel, and the introduction of stretch fabrics. Casual blouses, designed to complement our strong denim offer, proved successful, as did swim and resort wear due to improved fit, quality and better co-ordination with other parts of the range. The discontinuation of peripheral product categories such as Ann Harvey and menswear during the year have enabled better use of space and improved product/sales densities so key categories can be displayed with greater authority.

There are still areas of the product proposition where there is scope to improve. Our performance during the autumn/winter season on knitwear was poor, as our ranges lacked enough casual / warmer weight knitwear, and there were also some size availability issues. We under estimated the extent to which our customers would choose separates and more versatile products that could be worn several ways, over traditional dresses and party wear categories, which consequently sold poorly.

The focus of our attention in the future will be on product categories in which our market share under-indexes the market, for example coats, and leisurewear, in respect of which there are further opportunities despite the strong performance this autumn. We under index in dresses, which is the most searched for online category, and in relation to which, we have identified the opportunity to improve our proposition, including the introduction of styles exclusively available online.

Mark Heyes

Mark Heyes has continued to work closely with Bonmarché as a brand ambassador, supporting messaging on point of sale material, and augmenting our style credentials through “Mark’s picks”, highlighting items he believes customers will particularly like. Mark also provides valuable online content, for example a video, which explains the different body shapes catered for in the new denim ranges, and helps customers decide which version of jean would best suit their own needs. Culturally, Mark is a great fit and we are delighted with the chemistry that has developed.

Supply chain

During the year we introduced new suppliers which can deliver with a shorter lead time, enabling our trading model to become more agile and providing greater ability to trade within the season and respond faster to customer demands. An example of how this has improved performance was in the leisurewear category, which we were able to support through an increased level of stock purchasing in season, at the expense of jersey tops, which were performing less strongly. This more agile trading model has also contributed to our ability to reduce stock levels.

We held our first supplier conference in September 2017, to increase the effectiveness of partnerships with suppliers. The conference enabled us to deliver a consistent message about the way we want to work with them, and it provided a mechanism for interactive feedback and the exchange of views. The timing of the event enabled us to discuss ways of mitigating the impact of the recent adverse foreign exchange movements, ways of achieving further increases in the agility of the supply chain, and supply chain compliance. This last point has a broad reach, and includes ethical standards and compliance, as well as operational matters like standardisation of boxes in which stock is delivered, improvements in which will allow us to improve efficiency in our distribution operation.

Through a continued focus, and investment in the team, we have continued to improve our ethical credentials; Bonmarché’s ethical compliance score assessed by the ETI improved from 31% to 41%, which represents a good rate of progress compared to peers. This is the third such assessment we have undertaken, and each one has shown an improvement, with the first score measured in 2015 being 25%. This is an ongoing part of our strategy and we seek to achieve steady improvements in the ETI score as our ethical maturity develops.

Online

The online performance has been the stand out of the year; after a disappointing performance during FY17, online sales growth was strong throughout the period with sales up 34.5%. It is particularly encouraging that during the second half of the financial year when store sales were poor, online sales maintained a 30% year on year growth rate, against a stronger H2 comparative last year.

The more streamlined structure introduced in FY17, stronger leadership, and working more closely with other parts of the business have all made the online team more effective. As a result, many improvements have been made to the online store, the aggregate effect of which has been a much better shopping experience for customers and increased sales. Profitability has improved dramatically, most notably due to much more efficient marketing.

The following examples provide a brief overview of the work which has contributed to the growth in the online profit:

- Through better management, and a switch to a new marketing agency, online marketing is now more efficiently targeted, which has supported the sales growth and delivered a significant reduction in the cost of customer acquisition.
- We improved our delivery offer so that customers now benefit from free delivery above a certain spend threshold. We continue to trial different thresholds, which may alter at different times of the year or to coincide with promotions.
- The level of online discounts has been more tightly controlled during this financial year, achieved through more discipline in the use of promotional discounts, and as a result of the improved product selling better without recourse to discounting.
- On and off-line marketing have been supported by further improvements to the look and commerciality of the catalogues we produce several times per year. Their primary purpose is to encourage customers to visit the website, stores, or both and they have become increasingly effective in doing so.

We believe that online shopping’s share of consumer spending will continue to rise, especially for our segment of the market, and a major strategic focus for the future is to seek continuous improvements to this channel, and make multi-channel customer journeys more seamless. There are many opportunities in this area and, as technology advances, further opportunities will arise.

Key priorities for FY19 include:

- Introducing online exclusive ranges and brands to enhance the offer – which will also be available in selected stores;
- Improving online content, using professional copywriting, and models in the photography of products. This increases the cost of display, but is expected to be profitable;
- Continuing to improve the experience or “shopability” of the website, for example, during H1 FY19, the checkout process will be improved to remove the need to redirect customers to a different page to make payment, and thus speed up the process. The nature of online shopping is such that we expect this seemingly trivial detail to have a beneficial effect on sales;
- Making the interaction between online and store shopping more seamless;
- Improving the delivery options for customers, and making the whole experience slicker;
- Using customer data more effectively, for example to improve the engagement our customers have with our marketing communications, by making them more personalised; and
- Maintaining the focus on profitability, particularly in relation to marketing and fulfilment.

Loyalty

The "Bonus Club" loyalty scheme is well established and popular with customers; there are 1.7m members who have shopped with us within the last 12 months. However, whilst popular and valuable, it needs modernising. To ensure that any changes are received positively, during the year we have tested altering a variety of parameters, to inform decisions about how to update the scheme with the aim of increasing its appeal, more effectively recognising differing levels of loyalty, and reducing the total discounts by targeting them more effectively.

A successful change implemented during H2 as a result of these tests, was to improve our "Spend and Save" scheme in response to customer feedback. In addition to being popular, the change has reduced the level of "Spend and Save" discounts, contributing to the year on year reduction in total markdown.

In FY19 and FY20, the planned developments to the loyalty scheme fall under the broad headings of:

1. *Relaunch*
2. *Improve customer experience*
3. *Make more effective use of it to deliver marketing messages.*

The timing of some of these activities has been planned to fit logically with other interconnected developments, for example to coincide with systems improvements, or to tie in with changes required under the new General Data Protection Regulation ("GDPR").

1. *Relaunch*

   The entire suite is to be relaunched during FY19 including, for example, updated membership cards, welcome packs and an improved design for regular communications.

2. *Improve customer experience*

   Later in FY19, a "VIP" membership level will be added, to recognise and reward higher levels of loyalty. This level will provide various additional benefits which can't be bought and which we hope members will place a higher value on than the cost to deliver. The aim of this tier will be to incentivise members to reach the level at which they qualify as a VIP, by shopping more with Bonmarché.

   The Bonus Club was designed before Bonmarché operated a transactional website. The growth in online sales has created a requirement to address a disconnection in our legacy systems which has prevented customers from interacting with the scheme across store and online channels. The system developments to improve this aspect of the customer experience are due to be completed during H1 FY19.

3. *Make more effective use of it to deliver marketing messages*

   There is an opportunity to make communications and offers to members more personalised, to increase their relevance and support the development of loyalty towards the brand.

   Our review of the scheme has reinforced our view that, for the foreseeable future, paper mailers and catalogues will play a major part in marketing communications, and we will continue to refine our approach to this, with a particular emphasis on the look and feel of the catalogues which we publish five times per year.

   Other developments include a new promotional calendar and the provision of a new toolkit/guidelines for stores to support them in improving the customer experience for members.

Good progress has been made to improve our data security arrangements in preparation for the GDPR which came into force on 25 May 2018. The dedicated project established in preparation for this involved multiple workstreams, covering areas such as customer contact permissions, developing or updating data and security policies, reviews of supplier arrangements, a significant training programme for all colleagues, and technical upgrades to IT infrastructure. Working to this deadline was the first phase of a continual process of improving compliance arrangements, for example, it will be necessary to update and refresh training periodically for colleagues who interact with customer data, to ensure that compliance levels are maintained.

Stores

From a channel perspective, FY18's growth has been driven mainly by online sales. At 9.5%, Bonmarché's online sales penetration still has some way to go before reaching a level of approximately 15 - 20% which is typical in the market, and, therefore, we expect channel growth to continue to be much stronger online than in stores.

Despite the growing popularity of online shopping and the challenge currently faced by some high street locations, a great number of our customers and potential customers still like to shop on a high street, or at least, to visit a shop as part of an increasingly sophisticated shopping journey, that could result in the final purchase (or return) of an item being made either online or in store. For this reason, an appropriately configured store estate will, for the foreseeable future, continue to form a key part of our strategy.

For some customers, and for some shopping trips, stores will continue to be the sole channel they interact with; increasingly though, the stores will play a role in supporting online sales growth. We are already experiencing this through our in store ordering facility, introduced during H1 FY18 and achieving sales of £2m by the end of the financial year.

Despite the continuing role of the store portfolio, we recognise the speed with which the landscape is changing, and the uncertainty inherent in the evolution of shopping patterns. To help mitigate any potential risk associated with this, we maintain a cautious approach to entering into store leases, and at the end of the financial year, our average store lease had only 3.5 years remaining. This affords flexibility in the event that changing shopping patterns dictate a significant shift in the nature of the store portfolio. It also helps ensure that the rents are at market levels.

Our strategy for operating the stores falls under four broad headings, in respect of each of which we comment briefly below:

1. *Locations*
2. *Four wall fabric*
3. *People*
4. *Customer experience/journey*

1. *Locations*

With 325 stores in the U.K., we are well represented. There remain a small number of locations which could become attractive if a suitable store at the right rent becomes available, but, overall, we do not expect the number of stores to increase significantly in the short to medium term. Meanwhile, almost all stores are profitable (when measured on a "four wall" basis, i.e. without any subjective apportionment of central overhead costs), and so long as this remains the case, we expect the configuration of the store portfolio to remain broadly similar for the foreseeable future, with no more than a handful of stores opening or closing during FY19, subject to the uncertainties noted above.

Ten new stores were opened during the period, which are trading in line with the Board's expectations, and will pay back the initial capital investment within three years. Three of the new stores were relocations of existing ones, and we closed nine marginal garden centre/concession sites at their natural lease breaks, so overall store numbers decreased by two during the year. The movement in store numbers during the period is shown in the table below:

Number of stores	**As at 1 Apr 2017**	Opened	Closed	**As at 31 Mar 2018**
Solus Bonmarché stores	271	6	0	277
Solus Bonmarché stores relocated	n/a	3	3	n/a
Garden centre concessions	35	0	4	31
Other concessions	21	1	5	17
Total	**327**	10	12	**325**

During FY18, 42 leases were renewed, resulting in an overall rent reduction of 4% on the subject properties, and there were 23 rent reviews (19 of which were recorded at a nil increase), resulting in an overall rent increase on the subject properties of 2%.

2. Four wall fabric

Our stores are in good repair and we incur a stable annual expenditure to maintain them. In addition, during FY18 we made targeted investments to keep the visual appeal of the shops up to date, such as new fixtures to complement the denim launch.

To inform future investment plans for the stores, we will be undertaking a project to document an updated “brand inventory” for each store, to enable capital expenditure to be targeted effectively and help inform future decisions about whether to relocate, stay put, or close a store.

3. People

At the beginning of the financial year, we completed a major restructure of the retail field team, designed to allow area managers to spend more time supporting individual stores, to regain focus on basic retail disciplines.

Having completed this restructuring, we began a major new project, due to complete later in FY19, to improve operational efficiency in stores. This is part of a wider programme being undertaken throughout the business, designed in part to mitigate the sharp wage rate inflation due to the operation of the minimum/living wage. This has been a challenging time for the people affected, and we have striven to manage the process in a sensitive and collaborative manner. To its great credit, and despite the disruption caused by this type of process, the retail team has meanwhile embraced a number of new initiatives during the year, and remains dedicated to offering customers the best service.

One such initiative has been the installation of cameras to monitor footfall in all stores, which was completed during H1. The immediate benefit was to give the retail team a better understanding of the real peaks and troughs in customer flow, which has given stores the insight to place more focus on serving customers at busy times, and de-prioritise activities that are not of direct benefit to customers (such as stock checking or administration) so that they can be dealt with at a quieter time. The next phase has been to review customer conversion, to improve it in the stores where it is notably below average; during FY19, the focus will broaden to encompass high performing stores but with lower conversion, with the aim of “making the best better”.

4. *Customer experience/journey*

The fourth component of the stores strategy is to combine the threads of location, four wall fabric and people, together with other enabling activities (such as technology), to ensure that the process of shopping is pleasant and easy.

The in store ordering facility described above is an example of progress made during the year; the forthcoming improvements to the Bonus Club, illustrate improvements in the pipeline. Inevitably, much of the focus on the customer experience/journey will relate to multi-channel initiatives; the relevance of capturing them under the heading of “stores” is to ensure that where the store is a touch point on the customer’s journey, the experience is coherent and consistent.

Systems & processes

ERP

Ongoing progress has been made on the broad-reaching project to replace the legacy ERP system with a cloud-based Microsoft “Dynamics 365” system.

To ensure we balance the speed of implementation and risk management, we have hired appropriate expertise (comprising a significant contractor contingent), including in H2 of FY18 a new Technology & Change Director. We have striven to maintain a high level of support from “business owners”, so that the implementations of the new systems are not seen as I.T. projects, but business projects which are a central part of the strategy to modernise.

We remain confident that the project will achieve its primary objective - to replace successfully the legacy system - and will also deliver significant business benefits in the future. Meanwhile, the core financial ledger part of the new system, which was implemented during the early part of FY18, completed its first year-end process successfully.

Other software developments

As noted above in the section on loyalty, during FY19 we will introduce a software development to enable the Bonus Club to operate in a multi-channel way.

As part of the continuous process of seeking ways to improve the customer journey, we will introduce a new online payments service during FY19.

Finally for FY19, we plan to introduce an improved customer fulfilment option using a partner third party, interfacing to our systems. We will provide more details in relation to this in our interim report in November.

Operational projects and developments

We seek to make continuous improvements to our operation, to meet evolving customer needs, and to minimise costs in the face of continuing inflationary pressures. The following are examples of initiatives undertaken during FY18 and/or planned for FY19.

- Logistics review – in addition to the extensive work to make store operations more efficient, we have launched a parallel process in the logistics operation. The first step was a strategic review carried out in early FY18 which identified a number of opportunities to improve or modernise the operation, and reduce costs. The first stage of implementation was to bring about a sharpened focus on improving the basics, for example reducing the number of steps needed to complete a picking operation, re-laying part of the distribution centre, and increasing the picking and packing productivity of the e-commerce operation. There are further stages to come during FY19, upon which we will report in due course as they are completed.

- At the beginning of FY19, we began a procurement review, covering all non-stock purchases, to ensure that we procure goods and services at the right cost, quality, and level of service, supported by appropriate governance processes.
- Data security continues to have a high profile within the business. This complements the work to comply with the GDPR, and has been prioritised according to the results of a gap analysis carried out in H1 FY18 by a specialist third party security consultancy.

People

During FY17 we carried out a restructuring of the head office team, to facilitate more effective working practices and to improve organisational capability. That exercise provided a good basic structure, which has been refined during FY18. A number of key hires were made during the year, including a new Trading Director and Technology and Change Director.

Within the technology and change teams in particular, the makeup of the workforce has evolved differently to the rest of the head office team. There are now a significant number of individuals engaged as self-employed contractors, to provide flexibility to meet the rapidly changing requirements of different phases of projects, and to meet the preferences of many people who work in this space, who value flexibility.

Throughout FY18, and continuing into FY19, in response to changing customer needs, slower high street sales growth, and increasing inflationary pressures, there has been a particular focus on improving operational efficiency, as referenced above in relation to stores and logistics operations. During FY19 particular emphasis is being placed on managing the impact on colleagues, and ultimately, to ensure that the changes support, not detract from, improving how customers experience Bonmarché.

Work to ensure compliance with the GDPR regime touches many parts of the business, and since most of our colleagues interact with customers, preparing for GDPR entails a major education and training programme. This was developed during the latter part of FY18 ready for implementation during H1 FY19, as part of the wider GDPR compliance project described above.

Outlook

Whilst we expect the market to remain difficult, our focus will be on continuing to improve our proposition through a number of self-help initiatives, which we expect to drive further progress for the business during the new financial year.

Trading since the beginning of the new financial year has been stronger than during H2 of FY18, and is in line with the Board’s expectations. The financial position of the business continues to be sound, with no net debt and a balance sheet which provides a stable platform for the future.

We will issue our first trading update in relation to the current financial year on 26 July 2018, the date of the AGM, at which point we will report on the first quarter’s sales.

Helen Connolly
Chief Executive

19 June 2018

Stephen Alldridge
Finance Director

19 June 2018

Consolidated income statement

for the 52 weeks ended 31 March 2018

	Note	Group **52 weeks ended 31 March 2018 £'000**	 53 weeks ended 1 April 2017 £'000
Revenue		**186,014**	190,068
Cost of sales		**(144,452)**	(146,302)
Gross profit		**41,562**	43,766
Administrative expenses		**(25,780)**	(29,580)
Distribution costs		**(7,680)**	(8,236)
Operating profit	2	**8,102**	5,950
Analysed as:			
Operating profit before exceptional items		**8,102**	6,457
Exceptional items	3	**—**	(507)
Finance income		**53**	33
Finance costs		**(155)**	(190)
Profit before taxation		**8,000**	5,793
Taxation	4	**(1,629)**	(1,339)
Profit for the period		**6,371**	4,454
Earnings per share (pence)			
Basic	5	**13.1**	9.2
Diluted	5	**12.8**	9.1

Consolidated statement of comprehensive income
for the 52 weeks ended 31 March 2018

	Group	
	52 weeks ended	53 weeks ended
	31 March 2018	1 April 2017
	£'000	£'000
Profit for the period	**6,371**	4,454
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
– fair value movements in other comprehensive income	**(7,764)**	7,571
– transfer from cash flow hedge reserve to profit or loss	**(3,732)**	(5,647)
Tax on cash flow hedges	**2,184**	(318)
Total other comprehensive (expense)/ income for the period	**(9,312)**	1,606
Total comprehensive (expense)/income for the period	**(2,941)**	6,060

Consolidated balance sheet
as at 31 March 2018

	Group	
	As at	As at
	31 March 2018	1 April 2017
	£'000	£'000
Non-current assets		
Property, plant and equipment	**17,132**	17,042
Intangible assets	**7,520**	5,782
Investments in subsidiaries	—	—
Derivative financial instruments	**153**	—
Deferred tax asset	**45**	103
Total non-current assets	**24,850**	22,927
Current assets		
Inventories	**23,857**	25,087
Trade and other receivables	**16,321**	15,122
Cash and cash equivalents	**5,267**	6,946
Derivative financial instruments	—	6,704
Deferred tax asset	**939**	—
Total current assets	**46,384**	53,859
Total assets	**71,234**	76,786
Current liabilities		
Trade and other payables	**(33,492)**	(36,561)
Financial liabilities	**(382)**	(426)
Current taxation payable	**(706)**	(592)
Derivative financial instruments	**(4,945)**	—
Deferred tax liabilities	**(56)**	(1,329)
Total current liabilities	**(39,581)**	(38,908)
Non-current liabilities		
Other payables	**(2,315)**	(1,861)
Financial liabilities	**(604)**	(985)
Deferred tax liabilities	**(172)**	(200)
Total non-current liabilities	**(3,091)**	(3,046)
Total liabilities	**(42,672)**	(41,954)
Net assets	**28,562**	34,832
Equity		
Share capital	**500**	500
Share premium	**1,496**	1,496
EBT reserve	**(1,265)**	(1,307)
Cash flow hedge reserve	**(3,882)**	5,430
Retained earnings b/f	**28,713**	27,645
Profit for the period	**6,371**	4,454
Other changes in retained earnings	**(3,371)**	(3,386)
Retained earnings	**31,713**	28,713
Total equity	**28,562**	34,832

Consolidated statement of changes in equity
for the 52 weeks ended 31 March 2018

Group	Note	Share capital £'000	Share premium £'000	EBT reserve £'000	Cashflow hedge reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 27 March 2016		500	1,496	(1,265)	3,824	27,645	32,200
Profit for the period		—	—	—	—	4,454	4,454
Cash flow hedges							
– fair value movements in other comprehensive income		—	—	—	7,571	—	7,571
– transfer from cash flow hedge reserve to profit or loss		—	—	—	(5,647)	—	(5,647)
Tax on cash flow hedges		—	—	—	(318)	—	(318)
Total comprehensive income for the period		—	—	—	1,606	4,454	6,060
Share-based payment reserves credit		—	—	—	—	27	27
Purchase of own shares for EBT		—	—	(42)	—	—	(42)
Equity dividends paid	6	—	—	—	—	(3,413)	(3,413)
Balance at 1 April 2017		500	1,496	(1,307)	5,430	28,713	34,832
Profit for the period		—	—	—	—	6,371	6,371
Cash flow hedges							
– fair value movements in other comprehensive income		—	—	—	(7,764)	—	(7,764)
– transfer from cash flow hedge reserve to profit or loss		—	—	—	(3,732)	—	(3,732)
Tax on cash flow hedges		—	—	—	2,184	—	2,184
Total comprehensive income for the period		—	—	—	(9,312)	6,371	(2,941)
Share-based payment reserves credit		—	—	—	—	130	130
Distribution of own shares from EBT		—	—	42	—	(42)	—
Equity dividends paid	6	—	—	—	—	(3,459)	(3,459)
Balance at 31 March 2018		**500**	**1,496**	**(1,265)**	**(3,882)**	**31,713**	**28,562**

Consolidated statement of cash flows
for the 52 weeks ended 31 March 2018

		Group	
		52 weeks ended	53 weeks ended
		31 March 2018	1 April 2017
	Note	**£'000**	£'000
Cash flows from operating activities			
Cash generated from operations	7	**10,578**	9,499
Interest paid		**(139)**	(132)
Tax paid		**(1,513)**	(1,805)
Net cash generated from operating activities		**8,926**	7,562
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3,959)**	(7,682)
Purchases of intangible assets		**(2,817)**	(3,299)
Interest received		**55**	33
Net cash used in investing activities		**(6,721)**	(10,948)
Cash flows from financing activities			
Purchase of own shares for EBT		**—**	(42)
Dividends paid	6	**(3,459)**	(3,413)
Proceeds from HP and finance lease arrangements		**—**	1,090
Capital element of HP and finance lease rental payments		**(425)**	(304)
Net cash used in financing activities		**(3,884)**	(2,669)
Net decrease in cash and cash equivalents		**(1,679)**	(6,055)
Cash and cash equivalents at the beginning of the period		**6,946**	13,001
Cash and cash equivalents at the end of the period		**5,267**	6,946

Reconciliation of net cash flow to movement in net cash

		Group	
		52 weeks ended	53 weeks ended
		31 March 2018	1 April 2017
	Note	**£'000**	£'000
Opening net cash		**5,535**	12,376
Net cash outflow from activities		**(1,679)**	(6,055)
Decrease/(Increase) in debt financing		**425**	(786)
Movement in net cash		**(1,254)**	(6,841)
Closing net cash	8	**4,281**	5,535

1 Basis of preparation

The financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, does not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The financial information is derived from, and consistent with, the Group's financial statements for the 52 weeks ended 31 March 2018 ('Annual Report 2018') and has been agreed with the auditors for release. The Annual Report 2018 includes an unqualified audit report and does not contain any statement under s498 of the Companies Act 2006. The Annual Report 2018 will be filed with the Registrar of Companies in due course and will be available to shareholders from 29 June 2018.

The Group financial statements have been prepared on the going concern basis and in accordance with IFRS and IFRS Interpretation Committee ('IFRIC') interpretations, as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group financial statements have been prepared under the historical cost convention, as modified for the revaluation of financial assets and financial liabilities at fair value through profit and loss.

The Group financial statements are presented in thousands of Pounds Sterling ('£'000') except when otherwise indicated. Accounting policies have been consistently applied to all financial periods presented.

The accounting period of the Group ends on the Saturday falling nearest to 31 March each year. In some years this requires 53 weeks to be reported. The accounting periods in these financial statements are the 53 weeks ended 1 April 2017 and the 52 weeks ended 31 March 2018.

The preparation of the Group financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge of the amount, event or actions, actual results may differ from those estimates.

2. Operating profit

Operating profit is stated after charging/(crediting):

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Share-based payment charge	**130**	27
Depreciation of property, plant and equipment:		
– owned	**3,563**	2,937
– held under finance lease and HP agreement	**392**	295
Amortisation of intangible assets	**1,075**	643
Operating lease payments:		
– plant and machinery	**814**	433
– land and buildings	**19,358**	19,710
Rent-free amortisation	**(1,157)**	(1,556)
(Profit)/loss on disposal of property, plant and equipment	**(201)**	919
Loss on disposal of intangible assets	**4**	36

3. *Exceptional items*

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

Exceptional items comprise:

		Group	
		52 weeks ended 31 March 2018	53 weeks ended 1 April 2017
	Footnote	**£'000**	£'000
Implementation of new EPOS system	a	**-**	417
Restructuring and recruitment costs	b	**-**	90
		-	507

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.

4. *Taxation*

	Group	
	52 weeks ended 31 March 2018	53 weeks ended 1 April 2017
	£'000	£'000
Current tax:		
Current tax on profits for the period	**1,619**	1,397
Adjustments in respect of prior periods	**8**	(8)
Total current tax	**1,627**	1,389
Deferred tax:		
Origination and reversal of temporary differences	**65**	(35)
Adjustments in respect of prior periods	**(63)**	(20)
Changes in tax rate	—	5
Total deferred tax	**2**	(50)
Tax expense reported in the consolidated income statement	**1,629**	1,339

4. Taxation (continued)

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

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Profit before tax	**8,000**	5,793
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2017: 20%)	**1,520**	1,159
Tax effects of:		
Other timing differences	**56**	(1)
Expenses not deductible for tax purposes	**108**	204
Effects of changes in tax rate	**—**	5
Adjustments in respect of prior periods	**(55)**	(28)
Tax charge	**1,629**	1,339

Factors that may affect future tax charges:

Further changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 and the Finance Bill 2016. These include a reduction to the main rate to reduce it to 17% from 1 April 2020.

5. Earnings per share

	Group	
	52 weeks ended 31 March 2018	53 weeks ended 1 April 2017
Profit attributable to ordinary shareholders (£'000)	**6,371**	4,454
Basic earnings per share (pence)	**13.1**	9.2
Diluted earnings per share (pence)	**12.8**	9.1

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

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

5. Earnings per share (continued)

	Group	
	52 weeks ended	53 weeks ended
	31 March 2018	1 April 2017
	Number	Number
Weighted average number of ordinary shares in issue	**50,018,150**	50,018,150
Less: shares held by the Employee Benefit Trust (weighted average)	**(116,928)**	(853,061)
Weighted average number of shares for calculating diluted earnings per share	**49,901,222**	49,165,089
Weighted average number of potentially dilutive share awards	**(1,129,280)**	(837,945)
Weighted average number of shares for calculating basic earnings per share	**48,771,942**	48,327,144

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:

	Group	
	52 weeks ended	53 weeks ended
	31 March 2018	1 April 2017
	£'000	£'000
Profit attributable to ordinary shareholders	**6,371**	4,454
Exceptional items	—	507
Tax deduction in relation to exceptional items	—	(101)
Underlying profit attributable to ordinary shareholders	**6,371**	4,860

	Group	
	52 weeks ended	53 weeks ended
	31 March 2018	1 April 2017
	Pence	Pence
Underlying basic earnings per share (pence)	**13.1**	10.1
Underlying diluted earnings per share (pence)	**12.8**	9.9

6. Dividends

The Directors have recommended a final dividend of 5.25 pence per share, amounting to a dividend of £2.6m, in respect of the 52 weeks ended 31 March 2018. It will be paid on 3 August 2018 to shareholders on the register of members as at the close of business on 29 June 2018, subject to approval of shareholders at the Annual General Meeting to be held on 26 July 2018. In line with the requirements of IAS 10 'Events After the Reporting Period', this dividend has not been recognised within these results.

Dividends returned in relation to the Restricted Share Plan relate to prior period dividend payments made for management shares granted under the terms of the Restricted Share Plan. Under the terms of the Plan, 20% of the share awards vested 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 employee's departure from the Plan.

6. Dividends (continued)

	Group	
	52 weeks ended	53 weeks ended
	31 March 2018	1 April 2017
	£'000	£'000
Equity – ordinary dividends paid during the period		
Final dividend of 4.64 pence per share (2017: 4.64 pence per share)	**2,255**	2,279
Interim dividend of 2.5 pence per share (2017: 2.5 pence per share)	**1,216**	1,215
Dividends returned in relation to the Restricted Share Plan	**(12)**	(81)
Dividends paid during the period	**3,459**	3,413

7. Cash generated from operations

	Group	
	52 weeks ended	53 weeks ended
	31 March 2018	1 April 2017
	£'000	£'000
Profit before tax	**8,000**	5,793
Adjustments for:		
– depreciation	**3,955**	3,232
– amortisation of intangible assets	**1,075**	643
– (Profit)/loss on disposal of property, plant and equipment	**(201)**	919
– loss on disposal of intangible assets	**4**	36
– share-based payment debit	**130**	27
– net finance costs/income	**102**	157
– decrease/(increase) in inventories	**1,230**	(792)
– increase in trade and other receivables	**(1,216)**	(299)
– decrease in trade and other payables	**(2,501)**	(217)
Cash generated from operations	**10,578**	9,499

8. Analysis of net cash

	Group	
	31 March 2018	1 April 2017
	£'000	£'000
Cash and cash equivalents	**5,267**	6,946
Finance lease and HP agreement liabilities	**(986)**	(1,411)
Net cash	**4,281**	5,535