20 November 2018

Bonmarché Holdings plc

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

Interim results for the 26 week period ended 29 September 2018

Financial Highlights:

- Total revenue of £97.9m, in line with H1 FY18 (1)
- Combined LFL(2) sales declined by 1.0%; online sales up 28.9%, store-only LFL sales declined by 4.0%
- Online sales increased to account for 12% of total sales (H1 FY18: 9%)
- At constant exchange rates gross margin increased by 170bps due to better buying and stock management. This was, however, offset by significant adverse FX movements resulting in a gross margin of 57.2% (H1 FY18: 57.8%)
- Underlying profit before tax of £3.3m (H1 FY18: £4.2m); statutory profit before tax of £2.3m (H1 FY18: £4.2m)
- Underlying basic EPS was 5.3p (H1 FY18: 6.8p); basic EPS was 3.3p (H1 FY18: 6.8p)
- Net cash of £9.6m at the half year end (H1 FY18: £14.9m)
- Interim dividend of 2.5 pence per share (H1 FY18: 2.5 pence)

Operational Highlights:

- Strong online sales and sales participation growth, driven by offering customers a broader range of product and more choice in sizes, and an increase in the take-up of instore ordering
- Reflecting the wider market, stores experienced challenges, yet almost all remain profitable. Short lease terms provide flexibility
- FX hedges contracted at more favourable rates for FY20 compared to FY19, providing opportunity for margin growth
- Major refresh of technology landscape continues, with key projects expected to complete this financial year

Helen Connolly, Chief Executive of Bonmarché, commented:

“Whilst store trading has been impacted by the general weaker consumer sentiment and footfall seen across the market, we have continued to improve our proposition, particularly our digital capabilities and with a broader, modernised product offer, which is reflected in our strong online performance. We remain focussed on exploiting the opportunity afforded by the increasing demand for online shopping, and are encouraged by customers’ responses to new ranges such as denim, leisurewear and resortwear.

“Providing that sales during the key Black Friday through to Christmas trading period meet expectations, the Board maintains the guidance published in September, being that the underlying PBT for the Group for FY19 will be £5.5m.

“Despite the challenging market, the health and fundamentals of the business remain strong and the Board remains confident in the strategy and in Bonmarché’s long-term prospects. Accordingly, the Board has declared an interim dividend of 2.5p per ordinary share, in line with last year’s interim dividend. The Board’s intention at this time is that the total dividend in respect of FY19 will be maintained at 7.75 pence per share, in line with FY18.”

Notes

[(1)] *FY18 refers to the 52 week period ended 31 March 2018; FY19 refers to the 52 week period ending 30 March 2019; H1 FY18 refers to the 26 week period ended 30 September 2017.*

[(2)] *"LFL" refers to the year on year sales growth or decline in relation to stores that have been trading for at least one full financial year.*

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Notes to Editors:

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

Summary

Revenue for the first half of the year was in line with last year, and the underlying profit before tax ("PBT") was £3.3m, £0.9m lower than last year.

As set out in our trading update on 27 September 2018, we did not achieve the target we set ourselves for the first half of the year, as a result of the challenging market conditions affecting the bricks and mortar stores. Growing online sales has been a priority for some time, and sales in this channel have continued to grow strongly. The contrast in the growth rate of demand between stores and online continues to increase, and to reflect this, we have adapted our plans with the aim of further increasing online growth.

Profit and Loss Summary	**H1 FY19**	**H1 FY18**	
	£m	**£m**	**% change**
Revenue	**97.9**	**97.8**	**0.1%**
Product gross margin %	*57.2%*	*57.8%*	*(60bps)*
Underlying operating expenses %	*53.8%*	*53.5%*	*(30bps)*
Underlying EBITDA	**6.1**	6.6	**(7.8%)**
Underlying EBITDA margin %	*6.2%*	*6.8%*	*(30bps)*
PBT	2.3	4.2	(45.2%)
Underlying PBT	**3.3**	**4.2**	**(21.4%)**
Underlying PBT margin %	*3.4%*	*4.3%*	*(90bps)*
Tax %	*21.4%*	*21.4%*	*0bps*
Basic EPS	3.3p	6.8p	(51.5%)
Underlying basic EPS	5.3p	6.8p	(22.1%)
Interim dividend	**2.5p**	**2.5p**	**0.0%**

Trading commentary

Revenue

Combined store LFL and online sales declined by 1.0% during H1. There was a marked contrast between online sales which grew by 28.9%, and the store LFL which declined by 4.0%. The online sales growth was fairly consistent during Q1 and Q2, but store sales were significantly worse during Q2.

As noted in September's trading update, underlying consumer demand for women's clothing has been weak throughout the period, with the impact being felt most acutely on the high street. The continued increase in the popularity of online shopping is supporting growth in this channel, particularly for Bonmarché which still has a relatively low online sales mix compared to other multi-channel clothing retailers with more mature online businesses.

During Q1, the generally fine, warm weather provided a boost to the retail stores, temporarily masking the weak underlying trend, with warmer weather products selling well, for example, linen sales grew 40% year on year. However, during Q2, and notwithstanding the good progress we have made to reduce product lead times, the prolonged period of warm weather meant that we began to experience stock shortages of popular summer lines. Sales of new seasonally appropriate transitional stock were also negatively affected by the continuation of mild weather into September.

LFL & total sales growth	Store only LFL % change	Online only sales % change	LFL stores + online % change	Total sales % change
Q1 - 13 weeks ended 30 June 2018	(1.1%)	27.3%	1.6%	2.7%
Q2 - 13 weeks ended 29 September 2018	(7.7%)	30.8%	(3.9%)	(2.7%)
H1 - 26 weeks ended 29 September 2018	**(4.0%)**	**28.9%**	**(1.0%)**	**0.2%**

We noted in FY18's annual report that in light of the increasing speed with which sales are migrating online, we planned to scale back plans to open new stores. Accordingly, only one new store opened during H1 FY19, and the main non LFL sales growth in the retail store estate was from the stores opened part way through FY18 contributing sales for a full 26 weeks during H1 this year. The tables below show, respectively, the sales by classification of store, and the number of stores at the beginning and end of the period, and the number opened and closed.

Sales analysis (£m including VAT)	H1 FY19	H1 FY18	Variance	%
Store LFL sales	99.4	103.6	(4.2)	(4.0%)
Online sales	13.5	10.5	3.0	28.9%
Combined store LFL and online sales	**113.0**	**114.1**	**(1.2)**	**(1.0%)**
Stores opened in FY18	2.3	0.2	2.1	1,322.3%
Stores opened in FY19	0.3	0.0	0.3	100.0%
Stores relocated in FY18 [1]	1.3	1.3	(0.0)	(0.0%)
Stores closed during H1 FY19	0.7	1.7	(1.0)	(58.8%)
Net effect of changes in store space	**4.5**	**3.2**	**1.4**	**42.8%**
Total sales (incl. VAT)	**117.5**	**117.3**	**0.2**	**0.2%**
VAT & other adjustments	(19.6)	(19.5)	(0.1)	0.3%
Statutory revenue	**97.9**	**97.8**	**0.1**	**0.1%**

[1] No stores have been relocated during H1 FY19. The FY18 relocations are shown separately as they are not yet classified as LFL stores.

Number of stores	As at 1 Apr 2018	Opened	Closed	As at 29 Sep 2018
Solus Bonmarché stores	277	1	4	274
Solus Bonmarché stores relocated	n/a	0	0	n/a
Garden centre concessions	31	0	1	30
Other concessions	17	0	0	17
Total	**325**	1	5	**321**

The single new store opened was in Aberdeen. Based on its performance during the three months since it opened, which is in line with expectations, it will achieve a payback on the initial investment in approximately 18 months.

Five stores were closed at the end of their leases, either because they were in locations which were not expected to perform well in the future or because we were not satisfied with the rent reduction offered by the landlord. The number of stores at the year-end is expected to be approximately 320, broadly in line with the current number.

Gross margin

In our FY18 annual report we noted that due to the weakening of the pound against the dollar, FY19's gross margin percentage would be lower than FY18's. In line with that guidance, the gross margin fell by 60bps to 57.2% (H1 FY18: 57.8%).

Most of the impact of the cost inflation caused by the adverse FX movement has manifested itself in a lower bought in margin rather than higher prices. We have driven some margin improvements from better buying, but conversely have had to accept lower bought in margins on some lines where we have used suppliers with shorter lead times to enable us to respond more quickly to changes in demand.

Markdown rates were lower during H1 this year than last year, which helped to mitigate the lower bought in margin. The lower markdown was due to the strong early summer sales performance reducing the volume of stock to clear at the end of the season. This strong early summer sales performance resulted in spring/summer stock unit levels being 7% lower than at the end of September last year.

To put the FX effect into context, the average hedged rate for FY19 is $1.31. We believe this to be broadly in line with competitors, however, having hedged for FY18's FX requirement before rates reached their lowest levels, we benefited from a rate of $1.41 throughout last year, and are therefore only fully experiencing the impact of the lower rates now. Our expected dollar requirements for FY20 are hedged until the end of December 2019 at more favourable rates, averaging $1.36, which equates to a year on year cash benefit of approximately £1.2m.

Operating expenses

Significant savings were made last year in operating costs, following which, we did not expect to be able to make further reductions this year. However, with tight cost control, operating expenses increased by less than 1%, from £52.2m to £52.6m, reflecting increases in payroll expenses (including the effect of the increase in the national living wage), online fulfilment and operating costs, and depreciation.

Year on year increases in payroll and depreciation costs will also affect H2, and we expect online costs to rise proportionately further than in H1, as we seek to accelerate the rate of online sales growth. Compared to the retail stores, a greater proportion of online costs are variable in relation to sales.

Following the major restructuring of the store estate in 2012, including the rebasing of rents, we have continued to maintain a tight control over property costs. Twenty four stores had lease renewals or rent reviews completed during the period, for which we secured an average rent reduction of 15% plus an incentive with a cash equivalent value of £13k. The average term to expiry (or the next break) is 3.6 years, which therefore allows us to retain flexibility across the store estate.

Non underlying costs

As set out in our trading update of 27 September 2018, due to a required change to the established interpretation of IAS36 (Impairment of Assets), the recent revision to the profit expectation for FY19 necessitated an increase in the provision for impairment of store fixed assets.

In line with most UK retailers, the Group evaluates store profitability using the “four wall” store contribution, on which basis, no adjustment would have been necessary. However, according to recent guidance the Group has received regarding the interpretation of IAS36, all central overhead costs must be allocated to stores, resulting in an increase in the provision, based on the current forecast, of approximately £1.0m.

This guidance was applied to our FY18 accounts, without a significant effect, but the impact on H1 FY19 is more significant, and for this reason, we have separated out the impact in our underlying analysis of PBT. This charge to the profit and loss account has no cash effect.

Finance costs and tax

The Group’s financing arrangements are unchanged from last year, and the costs of maintaining the bank facility, which was undrawn throughout the period, were therefore in line with last year.

The Group’s circumstances in relation to corporation tax are also unchanged from last year. The effective tax rate for FY19 is expected to be 21.4%, slightly higher than last year’s rate, due to the additional impairment provision not being an allowable deduction for corporation tax purposes. The Group’s effective tax rate is higher than the statutory rate due to certain costs being disallowable in the calculation of capital allowances.

Stock

As noted above, at the end of the period, spring/summer terminal stock levels were lower than at the end of September last year, however, the overall stock level is higher than last year.

We planned for current season stocks to increase year on year. The comparative was not wholly representative, as last year’s stock balance was approximately £1.0m lower than normal, and also lower than the prior year. In addition, stock increases were planned in certain areas, for example, to support sales of denim which is fully launched and has had more styles added since September 2017, to enable Christmas and novelty lines to be launched earlier than last year, and Mark Heyes’ “Mark’s Edit” brand is an additional new range this year. Lower than planned sales in September also contributed to the increase.

Cash and capex

Bonmarché’s cash balances fluctuate during the year as a result of the uneven accretion of sales and stock purchases and, typically, cash is at its lowest at the year-end, with the balance at the half year end usually being closer to the average level which, during FY19, is expected to be approximately £12.0m.

The Group’s net cash position at the end of September was £9.6m, down £5.3m from the H1 FY18 balance and slightly lower than the year’s average level. Broadly, the reduction compared to last year was due to the lower profit generated during H1 this year, some timing differences in working capital which caused last year’s creditor balance to be £1.0m higher than normal, and the higher stock balance.

Capex payments during H1 were lower this year than last, as most of the year’s capex payments will be made during H2. The year’s capex forecast is £7.0m, of which £4.6m relates to IT projects, including the cost to complete the implementation of the ERP system, multi-channel loyalty, and system maintenance capex to upgrade infrastructure, including security capabilities and GDPR compliance. The capex level will reduce during FY20, principally because the ERP project will have been completed.

Illustration of impact of IFRS 16 – leases

For FY20 (the 52 week period ending 28 March 2020), Bonmarché will be required to apply the rules of IFRS 16, which introduces a dramatic change in the way operating leases must be accounted for. Under IFRS 16, operating leases must be capitalised; currently they do not affect the balance sheet, and rentals

are simply treated as expenses. Most of our operating leases relate to the retail stores; whilst we use some to finance company cars, in value terms, these are immaterial compared to the store leases. This new standard will not apply in respect of our FY19 financial statements, although we will include a disclosure showing how IFRS 16 accounting would have affected the accounts, had it been applied.

Under IFRS 16, the present value of all future rents must be shown on the balance sheet as if they were an asset (with a corresponding liability also created). Instead of the rent due for a period being shown as an expense, two profit and loss charges will appear: one being the amortisation of the asset, and the other representing a notional “interest” charge calculated on its outstanding value.

In the table below, we set out an illustration of what extracts from the H1 financial statements would look like under the current rules, and under the new rules. Please note that whilst it is intended to be representative, it is merely an illustration.

Illustration of expected impact on H1 FY19 results	**H1 FY19, £m Current basis**	**H1 FY19, £m IFRS 16**	**£m Variance**
Income statement extract			
Revenue	97.9	97.9	(0.0)
Gross profit	22.0	22.5	0.5
Administrative expenses	(14.6)	(14.6)	0.0
Distribution costs	(4.0)	(4.0)	0.1
Operating profit	3.4	4.0	0.6
Net finance charges	(0.1)	(0.9)	(0.9)
PBT	**3.3**	**3.0**	**(0.3)**
Depreciation & amortisation	2.2	9.2	7.1
EBITDA	**5.5**	**12.2**	**6.8**
Balance sheet extract			
Non current assets	23.4	75.0	51.6
Current liabilities	(38.0)	(52.1)	(14.1)
Non current liabilities	(3.2)	(45.9)	(42.7)
Net assets	**32.7**	**27.5**	**(5.2)**
Retained Earnings	30.8	25.6	(5.2)
Total equity	**32.7**	**27.5**	**(5.2)**

The implementation of IFRS 16 will have no cash effect. The main impacts on the financial statements are:

- The reported value of non-current assets increases significantly, by the present value of the rent payments for the remainder of the lease; correspondingly, reported liabilities increase, although part of the liability is disclosed as current (the portion which will fall due within the next 12 months) and the remainder will be disclosed as non-current.
- Once rents begin to be paid, an inequality develops between the depreciation charged on the asset plus the notional interest, and the rent paid. This initially results in a decrease in earnings compared to the non IFRS 16 treatment, and then, in the latter part of the lease, an increase in earnings, with no total difference in earnings over the life of the lease. In the illustration above, the resultant PBT effect is relatively small.
- Alternative profit measures, such as EBITDA, will change much more significantly, as the amortisation of the asset is excluded from the measure, whereas under the previous rules, the full rent expense was charged in calculating EBITDA.

- At the inception of a lease, there is no impact on the net assets of the Company or Group, i.e. the asset added to the balance sheet is of equivalent value to the capitalised liability. However, due to the inequality referred to above, and on first moving to IFRS 16 accounting under the "full retrospective" approach which Bonmarché will apply, there is a retained earnings impact which in this illustration, reduces reserves by approximately £5m. To put this into context, at the end of September 2018, the reserves of Bonmarché Holdings plc were £63m.
- Bonmarché's store leases are relatively short, so whilst the effect on our balance sheet will be large, it will be smaller than had the leases had longer remaining unexpired terms.

Other notes regarding likely approach/assumptions:

- The standard permits two approaches. Bonmarche will adopt the "full retrospective" approach, under which, the calculations are performed as if IFRS 16 had applied from the beginning of the lease. We believe that this approach will be easier to understand, and will produce more relevant historic comparatives.
- The standard requires an assumption to be made regarding the discount rate, which should be based on a notional incremental borrowing rate. This illustration assumes that this rate is 3.0%.
- For this illustration, the period used to estimate the present value of the future lease payments is the unexpired period of the lease, or the period to the next point at which Bonmarché has the option to exercise a break, whichever is the sooner. For the year end financial statements, a detailed lease by lease evaluation will be undertaken to assess the likelihood of exercising any lease breaks, based on which, a decision will be made regarding the most appropriate period over which to account for the lease.
- HMRC has not made any alterations to the tax rules in connection with IFRS 16, therefore rent expense will continue to be used to arrive at profits chargeable to corporation tax, which will create a greater difference between statutory profit and taxable profit. There will not be an impact on the effective tax rate, due to deferred tax accounting.

Operational review

Online

A number of initiatives drove the online sales growth in addition to the structural shift towards this channel. The highlights were:

- An expansion of the product offered online provided customers with additional lines not available off the shelf in stores, and additional choices of sizes and leg lengths. The product categories of swimwear, resortwear and dresses were particularly successful, and we introduced complementary third party brands within the season.
- In-store ordering, introduced last year, grew due to the application of a consistent focus, combined with the ability for customers to access the greater choice of online-exclusive products, which progressively increased during the period.
- Further optimisation of online marketing investment was successful in driving increased volumes of traffic to the site.
- An increasing proportion of business is transacted using mobile phones, a trend that is well established. Conversion rates on mobiles are lower than on tablets or traditional laptop/desktop devices and we have focussed on improving the mobile experience to maintain overall conversion rates despite the increasing mix of mobile transactions.

The areas noted above will continue to be priorities during the second half of the year.

Loyalty

An increased focus on the Bonus Club loyalty scheme has begun to have a positive impact on the database.

- The number of members who have shopped within the last 12 months has increased by 5% during the last year, from 1.8m to 1.9m. The increase is predominantly from online or multi-channel customers, whilst the number of store only customers also rose slightly.
- The average age of new customers joining the scheme had been increasing over the last several years but, encouragingly, this has begun to stabilise over the last 12 months, in particular in relation to new online members, who are significantly younger. The younger customers do have a greater tendency to leave the database, which reflects their different shopping habits, but there is scope to improve retention rates, which will be addressed through initiatives already planned.
- The most important single improvement for FY19 has been the linking of the online and store elements of the scheme. The system changes that were required in order to connect both elements were extensive, both to our internal systems and to the operations of the third party which hosts the database, and have now been successfully completed. We will report on the impact of this development in the year-end report.

Stores

Based on the current year's forecast, fewer than ten stores are expected to be loss making on a "four wall" EBITDA basis. For a retail estate with over 300 stores this is a short tail, and is a result of the restructuring that occurred in 2012, the careful roll out of new stores, and the management of costs since.

As well as being profitable, the store estate is flexible, with an average remaining lease term of 3.6 years. Leases representing two thirds of the annual rent charge expire before March 2022. As noted above, we are careful to retain this flexibility when it comes to lease renewals.

The profitability of the stores and the flexibility of the leases are both strengths, yet store LFLs are declining, and the rate at which sales are migrating online is increasing. These trends may, in due course, require changes to the configuration of the store estate, yet if we continued to rely solely on the conventional measure of store profitability to make decisions, the shape of the store estate would remain more or less unchanged. In an attempt to gain a better understanding of the increasingly complex relationship between store sales and online sales, with the help of a third party consultant, we are developing a model which should provide a more sophisticated basis for making decisions about the future configuration of the store portfolio.

During H1, the restructuring of the store operation referred to in the FY18 annual report was completed, which is expected to save £0.6m per year, and will partially mitigate the cost of the increase in the National Living Wage.

Product

The main theme during the period has been a focus on increasing the pace of product innovation and newness, and responding in season to changes in customer demand through our supply base, which is now able to react more quickly. For example:

- we have introduced capsule ranges of key trend items curated by our Brand Ambassador, Mark Heyes, and branded "Mark's Edit";
- third party ranges have been introduced as trials, particularly online where there is a greater opportunity to expand the ranges;
- in response to feedback, we have improved the sizing and fit of knitwear, as well as offering more variety in weights and designs;
- additional lengths on dresses and trousers have afforded customers more choice; and
- we have introduced "Style Steals", featuring on-trend items at great prices, supported by compelling displays.

Priorities during H2 include continuing to focus on the frequent introduction of newness; a plan for significant growth in nightwear with a more modern proposition; the introduction of a premium denim range, having successfully relaunched denim last year, and the relaunch of lingerie with a new and improved fit.

Operations

We expect to complete the implementation of the ERP system by the end of the financial year and further milestones have been passed in the process. The stock replenishment module was launched in October, and the product information management (or “PIM”) module was launched at the beginning of November.

Risk mitigation approach in relation to Brexit

Although there is much debate about the possible impact of the March 2019 Brexit event, significant effects have been experienced already following the 2016 referendum, for example, the sharp weakening of the pound, increased inflation, and uncertainty.

In the event that the U.K. is able to achieve an orderly exit from the E.U. under an arrangement that allows for the continuation of free trade, we do not envisage that Brexit should create additional risks. An exit that does not facilitate the continuation of free trade could introduce heightened risk, the main areas of concern in such a circumstance being:

- continued uncertainty, potentially affecting consumer spending;
- a further weakening of the pound, increasing the cost of imported goods. We have some insulation against the short term effect of further FX headwinds, as our anticipated requirements for currency are contracted until the end of December 2019;
- an increase in the overall burden of duty on imports, increasing the cost of imported goods. Our working assumption is that even in the event of a hard Brexit, there would be no material change in the overall duty burden, through replication of the existing Generalised System of Preference (“GSP”) tariff reliefs, and adjustment to overall duty rates to compensate for any change in duty on imports from Turkey/Europe; and
- friction importing goods through UK ports causing delays in the supply chain. We have instituted closer critical path management processes to help alleviate potential delays, and continue to investigate options to route imports via alternative ports, however, this would entail additional cost, which may be disproportionate. Based on our current knowledge and expectations, we would most likely continue to operate largely as we do now.

There is a lack of meaningful mechanisms available to mitigate the potential longer term negative effects of a hard Brexit. Our assumption is that some sort of deal will eventually be agreed and accordingly, we have tempered the extent to which we put in place risk mitigations which themselves could increase other risks, or costs.

Strategy

The FY18 annual report sets out Bonmarché’s strategy for FY19, to which there are no significant changes. We aim to provide an attractive proposition to women who trust us to help them look great, through fashionable styling and the right fit. The proposition is delivered through well positioned, compact stores that are well curated and easy to shop, with an online store being central to the shopping experience, alongside exceptional service and style advice. The themes which guide us in the execution of the strategy are to:

- maintain a clear view of customers and their wants and needs;
- modernise the proposition, guided by what customers want; and

- improve our operational effectiveness.

Interim dividend

The Board has declared an interim dividend of 2.5 pence per ordinary share (H1 FY18: 2.5 pence), payable on Monday 21 January 2019 to shareholders on the register on 7 December 2018.

The Board's intention at this time is that the total dividend in respect of FY19 will be maintained at 7.75 pence per share, in line with FY18.

Outlook

Whilst online sales have continued to show strong year on year growth, as reported, store LFLs have remained weak, and traditional autumn/winter categories have had a slow start to the season. Providing that sales during the key Black Friday through to Christmas trading period meet expectations, the Board maintains the guidance published in September, being that the underlying PBT for the Group for FY19 will be approximately £5.5m.

Our next scheduled announcement to the market is our post-Christmas sales update, on Friday, 25 January 2019.

Helen Connolly
Chief Executive
20 November 2018

Stephen Alldridge
Finance Director
20 November 2018

Unaudited consolidated income statement
For the 26 weeks ended 29 September 2018

	Note	26 weeks ended 29 September 2018			26 weeks ended	52 weeks ended
		Underlying	Non-underlying	Total	30 September '17	31 March '18
		£'000	£'000	£'000	£'000	£'000
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue		97,916	-	97,916	97,778	186,014
Cost of sales		(75,909)	(1,000)	(76,909)	(74,956)	(144,452)
Gross profit		**22,007**	**(1,000)**	**21,007**	**22,822**	**41,562**
Administrative expenses		(14,630)	-	(14,630)	(14,741)	(25,780)
Distribution costs		(4,016)	-	(4,016)	(3,846)	(7,680)
Operating profit		**3,361**	**(1,000)**	**2,361**	**4,235**	**8,102**
Finance income		26	-	26	29	53
Finance costs		(87)	-	(87)	(64)	(155)
Profit before taxation		**3,300**	**(1,000)**	**2,300**	**4,200**	**8,000**
Taxation		(706)	-	(706)	(899)	(1,629)
Profit for the period		**2,594**	**(1,000)**	**1,594**	**3,301**	**6,371**
Earnings per share (pence)						
Basic	10	5.3		3.3	6.8	13.1
Diluted	10	5.2		3.2	6.7	12.8

Unaudited consolidated statement of comprehensive income

For the 26 weeks ended 29 September 2018

	26 weeks ended 29 September 2018 £'000 Unaudited	26 weeks ended 30 September 2017 £'000 Unaudited	52 weeks ended 31 March 2018 £'000 Audited
Profit for the period	**1,594**	**3,301**	**6,371**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
- fair value movements in other comprehensive income	5,445	(4,973)	(7,764)
- transfer from cash flow hedge reserve to profit or loss	877	(3,020)	(3,732)
Tax on cash flow hedges	(1,201)	1,519	2,184
Other comprehensive income/(expense) for the period	5,121	(6,474)	(9,312)
Total comprehensive income/(expense) for the period	**6,715**	**(3,173)**	**(2,941)**

Unaudited consolidated balance sheet

	Note	As at 29 September 2018 £'000 Unaudited	As at 30 September 2017 £'000 Unaudited	As at 31 March 2018 £'000 Audited
Non-current assets				
Property, plant and equipment	12	15,150	17,704	17,132
Intangible assets	12	8,209	6,556	7,520
Derivative financial instruments	15	21	-	153
Deferred tax asset		44	465	45
Total non-current assets		**23,424**	**24,725**	**24,850**
Current assets				
Inventories		28,166	23,490	23,857
Trade and other receivables		12,602	11,525	16,321
Cash and cash equivalents		10,394	16,097	5,267
Deferred tax asset		4	166	-
Derivative financial instruments	15	1,530	1,491	939
Total current assets		**52,696**	**52,769**	**46,384**
Total assets		**76,120**	**77,494**	**71,234**
Current liabilities				
Trade and other payables		(38,813)	(40,712)	(33,492)
Financial liabilities		(302)	(425)	(382)
Current taxation payable		(686)	(905)	(706)
Deferred tax liabilities		(347)	(338)	(56)
Derivative financial instruments	15	(22)	(1,908)	(4,945)
Total current liabilities		**(40,170)**	**(44,288)**	**(39,581)**
Non-current liabilities				
Other payables		(2,626)	(1,912)	(2,315)
Financial liabilities		(473)	(775)	(604)
Deferred tax liabilities		(146)	(173)	(172)
Derivative financial instruments	15	-	(872)	-
Total non-current liabilities		**(3,245)**	**(3,732)**	**(3,091)**
Total liabilities		**(43,415)**	**(48,020)**	**(42,672)**
Net assets		**32,705**	**29,474**	**28,562**
Equity				
Share capital		500	500	500
Share premium		1,496	1,496	1,496
EBT reserve		(1,336)	(1,307)	(1,265)
Cash flow hedge reserve		1,239	(1,044)	(3,882)
Retained earnings		30,806	29,829	31,713
Total equity		**32,705**	**29,474**	**28,562**

Unaudited consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	EBT reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2017		**500**	**1,496**	**(1,307)**	**5,430**	**28,713**	**34,832**
Profit for the period		-	-	-	**-**	3,301	3,301
Cash flow hedges							
- fair value movements in other comprehensive income		-	-	-	(4,973)	-	(4,973)
- transfer from cash flow hedge reserve to profit or loss		-	-	-	(3,020)	-	(3,020)
Tax on cash flow hedges		-	-	-	1,519	-	1,519
Total comprehensive income for the period		**-**	**-**	**-**	**(6,474)**	**3,301**	**(3,173)**
Share-based payment reserves credit		-	-	-	-	70	**70**
Equity dividends paid	11	-	-	-	**-**	(2,255)	**(2,255)**
Balance at 30 September 2017		**500**	**1,496**	**(1,307)**	**(1,044)**	**29,829**	**29,474**
Profit for the period		-	-	-	**-**	3,070	3,070
Cash flow hedges							
- fair value movements in other comprehensive income		-	-	-	(2,791)	-	(2,791)
- transfer from cash flow hedge reserve to profit or loss		-	-	-	(712)	-	(712)
Tax on cash flow hedges		-	-	-	665	-	665
Total comprehensive income for the period		**-**	**-**	**-**	**(2,838)**	**3,070**	**232**
Share-based payment reserves credit		-	-	-	-	60	**60**
Distribution of own shares from EBT				42		(42)	**-**
Equity dividends paid	11	-	-	-	-	(1,204)	**(1,204)**
Balance at 31 March 2018		**500**	**1,496**	**(1,265)**	**(3,882)**	**31,713**	**28,562**
Profit for the period		-	-	-	**-**	1,594	1,594
Cash flow hedges							
- fair value movements in other comprehensive income		-	-	-	5,445	-	5,445
- transfer from cash flow hedge reserve to profit or loss		-	-	-	877	-	877
Tax on cash flow hedges		-	-	-	(1,201)	-	(1,201)
Total comprehensive (expense)/income for the period		**-**	**-**	**-**	**5,121**	**1,594**	**6,715**
Share-based payment reserves credit		-	-	-	-	73	**73**
Distribution of own shares from EBT		-	-	24	-	(24)	**-**
Purchase of own shares for EBT		-	-	(95)	-	-	**(95)**
Equity dividends paid	11	-	-	-	**-**	(2,548)	**(2,548)**
Balance at 29 September 2018		**500**	**1,496**	**(1,336)**	**1,239**	**30,806**	**32,705**

Unaudited consolidated statement of cash flows

For the 26 weeks ended 29 September 2018

	Note	26 weeks ended 29 September 2018 £'000 Unaudited	26 weeks ended 30 September 2017 £'000 Unaudited	52 weeks ended 31 March 2018 £'000 Audited
Cash flows from operating activities				
Cash generated from operations	13	11,105	15,443	10,578
Interest paid		(62)	(71)	(139)
Tax paid		(727)	(613)	(1,513)
Net cash generated from operating activities		**10,316**	**14,759**	**8,926**
Cash flows from investing activities				
Purchases of property, plant and equipment		(1,192)	(1,918)	(3,959)
Purchases of intangible assets		(1,169)	(1,251)	(2,817)
Interest received		25	27	55
Net cash used in investing activities		**(2,336)**	**(3,142)**	**(6,721)**
Cash flows from financing activities				
Purchase of own shares for EBT		(95)	-	-
Capital element of HP and finance lease rental payments		(210)	(211)	(425)
Dividends paid	11	(2,548)	(2,255)	(3,459)
Net cash used in financing activities		**(2,853)**	**(2,466)**	**(3,884)**
Net increase/(decrease) in cash and cash equivalents		**5,127**	**9,151**	**(1,679)**
Cash and cash equivalents at beginning of the period		5,267	6,946	6,946
Cash and cash equivalents at the end of the period		**10,394**	**16,097**	**5,267**

Reconciliation of net cash flow to movement in net cash

	Note	26 weeks ended 29 September 2018 £'000	26 weeks ended 30 September 2017 **£'000**	53 weeks ended 1 April 2017 £'000
Opening net cash		**4,281**	**5,535**	**5,535**
Net cash inflow/(outflow) from activities		5,127	9,151	(1,679)
Decrease/(increase) in debt financing		210	211	425
Movement in net cash		5,337	9,362	(1,254)
Closing net cash	14	**9,618**	**14,897**	**4,281**

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 retailer of womenswear and accessories.

The unaudited condensed consolidated financial statements ("interim financial statements") of the Group have been prepared for the 26 weeks ended 29 September 2018 and were approved by the Board of Directors on 20 November 2018.

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 31 March 2018 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 29 September 2018 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 31 March 2018, has been extracted from the Group's annual financial statements for that period, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

3. Going concern

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

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 31 March 2018, except where new standards and interpretations have been adopted.

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

The IFRS 16 Leases is currently endorsed but not yet effective, however an illustration of the expected effect has been included in the report which accompanies these financial statements.

The Group has not early adopted any IFRSs or IFRS interpretations.

5. Estimates and judgements

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

Notes to the unaudited condensed consolidated financial statements (continued)

In preparing these interim financial statements, the significant judgements made by the Directors were made on a consistent basis with those that applied to the Group's annual financial statements for the 52 weeks ended 31 March 2018.

6. Segment information

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

The Board considers the business to be one main type of business generating revenue: retail of womenswear and accessories.

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.

7. Operating profit

Operating profit is stated after charging/(crediting):

	26 weeks ended 29 September 2018 £'000	26 weeks ended 30 September 2017 £'000	52 weeks ended 31 March 2018 £'000
Share-based payment charge	73	70	130
Depreciation of property, plant and equipment			
- owned	1,988	1,577	3,563
- held under finance lease and HP agreement	165	271	392
Amortisation of intangible assets	566	476	1,075
Operating lease payments			
- plant and machinery	404	402	814
- land and buildings	9,643	9,571	19,358
Rent free amortisation	(558)	(569)	(1,157)
Loss on disposal of property, plant and equipment	39	77	60
Movement in provision for asset impairment	1,000	-	(261)

8a Employee benefit expense

	26 weeks ended 30 September 2017 £'000	26 weeks ended 30 September 2017 £'000	52 weeks ended 31 March 2018 £'000
Wages and salaries	18,762	19,150	37,414
Social security costs	1,186	1,124	2,296
Other pension costs	482	383	785
Share-based payments charge	73	70	130
Termination payments	326	63	130
Employee benefit expenses included in operating profit	**20,829**	**20,790**	**40,755**

8b Average number of people employed

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

	26 weeks ended 29 September 2018 FTE	26 weeks ended 30 September 2017 FTE	52 weeks ended 31 March 2018 FTE
Stores	1,481	1,507	1,504
Administration	210	188	194
Distribution	218	239	235
	1,909	**1,934**	**1,933**

9. Taxation

Tax for the 26 weeks ended 29 September 2018 has been provided for at an effective rate of 21.4%, representing the Group's forecast effective tax rate for the full year. This is higher than the 20.4% effective rate which applied for FY18, due principally to a £1.0m increase in provision for asset impairment, which is disallowable for tax purposes. The effective rate used for the 26 weeks ended 30 September 2017 was estimated at 21.4% at that time, based on a forecast, but the final figure for the year was lower.

The estimated effective rate is higher than the UK Corporation Tax rate of 19% (26 weeks ended 30 September 2017: 19%; 52 weeks ended 31 March 2018: 19%), due to the effect of expenses not deductible for tax purposes. In addition to the increase in provision noted above, these include charges in respect of share-based payments, and depreciation on owned assets which do not qualify for capital allowances.

10. Earnings per share

	26 weeks ended 29 September 2018	26 weeks ended 30 September 2017	52 weeks ended 31 March 2018
Profit attributable to ordinary shareholders (£'000s)	1,594	3,301	6,371
Basic earnings per share (pence)	3.3	6.8	13.1
Diluted earnings per share (pence)	3.2	6.7	12.8

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

For the calculation of basic and diluted earnings per share, the weighted average number of shares excludes the general shares held by the Employee Benefit Trust. For the calculation of diluted earnings per share only, the weighted average number of shares in issue is further adjusted to assume conversion of all potentially dilutive ordinary shares. These represent the shares granted under the Long Term Incentive Plans.

The number of shares is as follows:

	26 weeks ended 29 September 2018 Number	26 weeks ended 30 September 2017 Number	52 weeks ended 31 March 2018 Number
Weighted average number of shares for calculating basic eps	48,790,451	48,499,150	48,771,942
Impact of share options	1,425,158	898,864	1,129,280
Weighted average number of shares for calculating diluted eps	50,215,609	49,398,014	49,901,222

Underlying earnings per share

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

	26 weeks ended 29 September 2018 £'000	26 weeks ended 30 September 2017 £'000	52 weeks ended 31 March 2018 £'000
Profit attributable to ordinary shareholders	1,594	3,301	6,371
Non-underlying	1,000	-	-
Underlying profit attributable to ordinary shareholders	2,594	3,301	6,371

	26 weeks ended 29 September 2018 Pence	26 weeks ended 30 September 2017 Pence	52 weeks ended 31 March 2018 Pence
Underlying basic earnings per share (pence)	5.3	6.8	13.1
Underlying diluted earnings per share (pence)	5.2	6.7	12.8

11. Dividends

	26 weeks ended 29 September 2018 £'000	26 weeks ended 30 September 2017 £'000	52 weeks ended 31 March 2018 £'000
Equity - ordinary			
Final dividend of 5.25 pence per share (2017: 4.64 pence per share)	2,548	2,255	2,255
Prior period interim dividend of 2.50 pence per share	-	-	1,216
Dividends returned in relation to the Restricted Share Plan	-	-	(12)
Dividends paid during the period	2,548	2,255	3,459

The Directors have declared an interim dividend of 2.5 pence per share, which will amount to £1.2m, for the 26 weeks ended 29 September 2018. The dividend will be paid on 21 January 2019 to shareholders on the register at the close of business on 7 December 2018. In line with the requirement of IAS10 'Events after the Reporting Period', this dividend has not been recognised within these results.

12. Capital Expenditure

	Property, plant and equipment £'000	Intangible assets £'000
Net book value at 1 April 2017	17,042	5,782
Additions	2,587	1,251
Disposals	(77)	(1)
Depreciation and amortisation	(1,848)	(476)
Net book value at 30 September 2017	**17,704**	**6,556**

	Property, plant and equipment £'000	Intangible assets £'000
Net book value at 30 September 2017	17,704	6,556
Additions	1,257	1,566
Disposals	17	(3)
Movement in provision for asset impairment	261	-
Depreciation and amortisation	(2,107)	(599)
Net book value at 31 March 2018	**17,132**	**7,520**

	Property, plant and equipment £'000	Intangible Assets £'000
Net book value at 31 March 2018	17,132	7,520
Additions	1,210	1,255
Disposals	(39)	-
Movement in provision for asset impairment	(1,000)	-
Depreciation and amortisation	(2,153)	(566)
Net book value at 29 September 2018	**15,150**	**8,209**

Notes to the unaudited condensed consolidated financial statements (continued)

13. Cash generated from operations

	26 weeks ended 29 September 2018 £'000	26 weeks ended 30 September 2017 £'000	52 weeks ended 31 March 2018 £'000
Profit before tax	**2,300**	**4,200**	**8,000**
Adjustments for:			
- Depreciation	2,153	1,848	3,955
- Loss on disposal of property, plant and equipment	1,039	77	(201)
- Loss on disposal of intangible assets	-	1	4
- Amortisation of intangible assets	566	476	1,075
- Share-based payment charge	73	70	130
- Finance costs – net	61	35	102
- Decrease/(increase) in inventories	(4,309)	1,597	1,230
- Decrease/(increase) in trade and other receivables	3,792	3,608	(1.216)
- Increase/(decrease) in trade and other payables	5,430	3,531	(2,501)
Cash generated from operations	**11,105**	**15,443**	**10,578**

14. Analysis of net cash

	26 weeks ended 29 September 2018 £'000	26 weeks ended 30 September 2017 £'000	52 weeks ended 31 March 2018 £'000
Cash & cash equivalents	10,394	16,097	5,267
Finance lease and HP agreement liabilities	(776)	(1,200)	(986)
Net cash	**9,618**	**14,897**	**4,281**

Notes to the unaudited condensed consolidated financial statements (continued)

15. 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

	29 September 2018	30 September 2017	31 March 18
	£'000	£'000	£'000
Forward foreign exchange contracts – cash flow hedge (Level 2) liability	**22**	**2,780**	**153**
Forward foreign exchange contracts – cash flow hedge (Level 2) asset	**1,551**	**1,491**	**4,945**
Forward foreign exchange contracts – (notional principal amount)	**59,347**	**90,321**	**78,259**

The Group uses forward foreign exchange contracts to hedge the foreign exchange risk from highly probable forecast stock purchases denominated in US dollars. They are designated as cash flow hedges with fair value movements recognised directly in other comprehensive income. The amount recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item affects profit or loss. The income statement impact in relation to the cash flows hedged is expected to occur in the next 15 months.

The valuation of all financial derivative assets and liabilities carried at fair value by the Group is based on hierarchy Level 2. Fair value hierarchy levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of forward foreign exchange contracts has been determined based on discounted market forward currency exchange rates at the balance sheet date.

16. Related party transactions

There have been no changes in the nature of transactions with related parties since those described in the most recent annual report and during the 26 weeks ended 29 September 2018 there have been no new related party transactions which have had a material effect on the financial position or performance of the Group.

Responsibility statement

We confirm that to the best of our knowledge:

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

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

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

By order of the Board

Helen Connolly
Chief Executive
20 November 2018

Stephen Alldridge
Finance Director
20 November 2018

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.