

Bonmarché



At Bonmarché we sell great value, quality clothes that real women feel good in – and keep coming back for

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www.bonmarcheplc.co.uk

HIGHLIGHTS

Strategic highlights

- Delivered profit growth in line with Board's expectations in a challenging market, through strong online growth, 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

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)

Total revenue

£186.0m -2.1%

18	£186.0m
17	£190.1m
16	£188.0m
15	£178.6m
14	£164.3m

Group profit before tax

£8.0m +38.1%

18	£8.0m
17	£5.8m
16	£9.6m
15	£12.4m
14	£8.0m

Underlying profit before tax**

£8.0m +27%

18	£8.0m
17	£6.3m
16	£10.6m
15	£12.4m
14	£11.2m

Basic EPS

13.1p +70.2p

18	13.1p
17	9.2p
16	16.1p
15	20.7p
14	23.4p

Underlying basic EPS

13.1p +77.1%

18	13.1p
17	10.1p
16	18.3p
15	20.7p
14	18.6p

Net cash

£4.3m -22.7%

18	£4.3m
17	£5.5m
16	£12.4m
15	£10.2m
14	£7.8m

Interim dividend per share

2.50p

Final dividend per share

5.25p

Total dividend for FY18 per share

7.75p

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

** Further information on like-for-like sales and Underlying PBT can be found on page 13.

AT A GLANCE

Who we are



We are a retailer of women's clothing known for great fit, style and quality.



Our target customers are fashion and value-conscious women aged 50+.



Value for money is important to our target customers and we have a clear focus on the whole customer proposition.



We offer customers different ways to shop: Stores, online and by telephone.



Demographic trends suggest that the over 50 population will increase and we are uniquely positioned to serve the needs of this segment.

“

I find all the clothes are very comfortable which makes me feel more confident about myself.”



“

*They stock different ranges and sizes,
from trousers to swimwear to dresses.
The value and choice are good.”*



- New stores opened
- Stores relocated and opened

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 Annual General Meeting (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.

A handwritten signature in black ink, appearing to read 'John Coleman'. The signature is fluid and cursive, written over a white background.

John Coleman
Chairman
19 June 2018



BUSINESS MODEL

RESOURCES & RELATIONSHIPS

Customers

- Our customers are central to everything we do

See page 20

Brand

- Long-standing relationships with customers
- Brand ambassador, Mark Hayes

See page 18

Our colleagues

- Loyal colleagues dedicated to offering customers the best service

See page 22

Product range

- Clear customer profile, 'Lisa'

See page 18

Systems and infrastructure

- Replacement of legacy systems
- Correct organisation and capability

See page 22

Financial

- Focused on value for money and effectiveness

See page 18

HOW WE OPERATE

Plan

- Strategic and financial objectives
- Example sources of information: feedback from customers, market trends, suppliers and analysis of competitors
- Constant process of reviewing in season, informing agile model
- Analysis of past performance, review of plans vs. actual outcomes and feedback into future planning
- Footfall data to understand customer flow

We listen and respond



Buy

- Quality, style and fit
- Flexibility vs. cost and margins
- Ethical credentials and performance, demonstrate Bonmarché brand values in dealing with suppliers
- Right size and composition of supply chain to successfully deliver 'Bonmarché handwriting' and required agility
- Supplier expertise and efficient supply chain

Developing quality product ethically



Delivered through our strategic pillars and all underpinned by our people:



Product



Online

Move

- Reliable and cost efficient inbound logistics
- In-house warehouse operation and transport to stores; third parties used for home deliveries of online orders

Improving logistics capabilities and delivery proposition



Sell

- Effective 'Plan', 'Buy' and 'Move' processes ensure that customers love the product, which is available in the right place and at the right time
- Shopping experience is enjoyable and friction free
- Further improvement to ensure a coherent and consistent customer experience via seamless in-store and online customer journey
- Strong service culture
- Reward most loyal customers and modernise Bonus Club

Engaging with our customers



CREATING VALUE FOR

Customers

- Customers can buy what they want, when and how they want it

See pages 19 and 20

Shareholders

- Maintain strong financial position
- Progressive dividend policy

See page 12

Our colleagues

- The right structure to create operational efficiency and effectiveness

See page 21

Suppliers

- Lasting relationships
- Working together ethically

See page 19

 *Loyalty*  *Stores*  *Systems & processes*

STRATEGY

Overview

Bonmarché is a retailer of women's clothing focusing on fashion and value-conscious women aged 50+.

Market

The fashion retail market is highly competitive; however, we believe that there are few clothing retailers addressing effectively the wants and needs of this market segment, particularly in terms of fashion, fit and quality. Bonmarché also offers a broader range of sizes than many competitors. The size of the 50+ population, the market Bonmarché serves, is forecast to grow due to established UK demographic trends.

Pricing

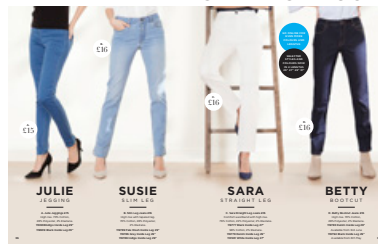
Bonmarché's prices are typically positioned between the true discounters and the mid-market. Price is a convenient reference point for describing the juxtaposition between Bonmarché and its competitors; however, a more appropriate reference point from a customer perspective is value for money, upon which we place more emphasis.

Overall objectives

Guided always by a clear view of customers (characterised as 'Lisa'):

- modernise the customer proposition; and
- improve effectiveness of operational execution.

FIND THE PERFECT FIT FOR YOU!



Product

Update & FY18 highlights

Modernise overall look and feel of product ranges.

Highlight areas:

- Denim relaunch
- Leisurewear
- Casual blouses
- Swim and resort wear

Introduced shorter lead time suppliers to facilitate more agile trading model.

Developed collateral with brand ambassador, Mark Heyes, including 'Mark's Picks'.

Held supplier conference to forge closer links with suppliers.

Further improved ethical credentials, increasing Ethical Trading Initiative (ETI) score.

Future priorities

Product focus:

- Knitwear
- Online exclusives
- Leisurewear
- Dresses

Further collaboration with Mark Heyes including dedicated product lines.

Continuous improvement of supply chain agility and development of ethical maturity.



Online

Update & FY18 highlights

Strong sales growth throughout year.

Online team worked effectively following FY17 restructure.

More attractive online shop increased engagement and is easier for customers to shop.

More effective and efficient online marketing has driven sales, more profitably.

Delivery offer improved, e.g. through free delivery above a spend threshold.

Combination of other improvements allowed discounts to be reduced, further improving profitability.

Future priorities

Continuous improvement on many fronts.

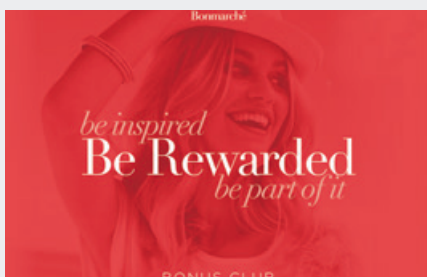
Introduce and expand online exclusive ranges.

Improve 'shop front' – copywriting and photography of products.

Improve site 'shopability', e.g. slicker checkout process.

Further improvement to delivery options.

Improve customer journey – there is still much opportunity/work to do to make customer journeys more seamless between stores and online.



Loyalty

Update & FY18 highlights

Extensive testing undertaken to inform decisions about how to modernise the loyalty scheme and extract greater value from it.

Objectives:

- Recognise different levels of loyalty more effectively.
- Reduce discounts/cost of scheme.
- Improve customer experience, particularly in the interaction between store and online touchpoints.

'Spend and Save' benefit stream improved, to remove an unpopular feature, which also reduces the cost.

Future priorities

Relaunch Bonus Club, planned for H1 FY19.

Begin introducing customer experience upgrades, with 'VIP' tier planned for H2 FY19.

Complete system changes required to link store and online loyalty transactions, by end of H1 FY19.

Increase effectiveness of personalisation of marketing messages.

Ensure scheme is compliant with requirements of the General Data Protection Regulation, effective from 25 May 2018.



Stores

Update & FY18 highlights

Channel growth stronger online than in stores but store estate will continue to feature for foreseeable future.

Focused on maintaining flexible lease tenures to allow rapid adaptation to change. Average store lease had 3.5 years remaining at year end and rents are at appropriate market levels.

Opened 10 new stores, including three relocations, trading in line with expectations. Closed nine garden centre/ concession units.

Introduced in-store ordering, contributing £2m sales, and a step towards improving multi-channel customer journey.

Installed footfall cameras to gain more analytical insight into customer behaviour.

Future priorities

Composition of store estate will not change significantly in near term, with a small number of openings/closures.

Focus on operational efficiency entailing a major restructuring of operating arrangements to mitigate costs of wage inflation and increase flexibility.

Implement changes to increase conversion using intelligence gained from footfall data.



Systems & processes

Update & FY18 highlights

Continued to progress through project to replace Enterprise Resource Planning (ERP) system.

Strong emphasis placed throughout year to ensure project is owned by the business, not imposed by IT.

Review of logistics operations to mirror the parallel exercise in stores initially focused on improving/streamlining basic operations.

Future priorities

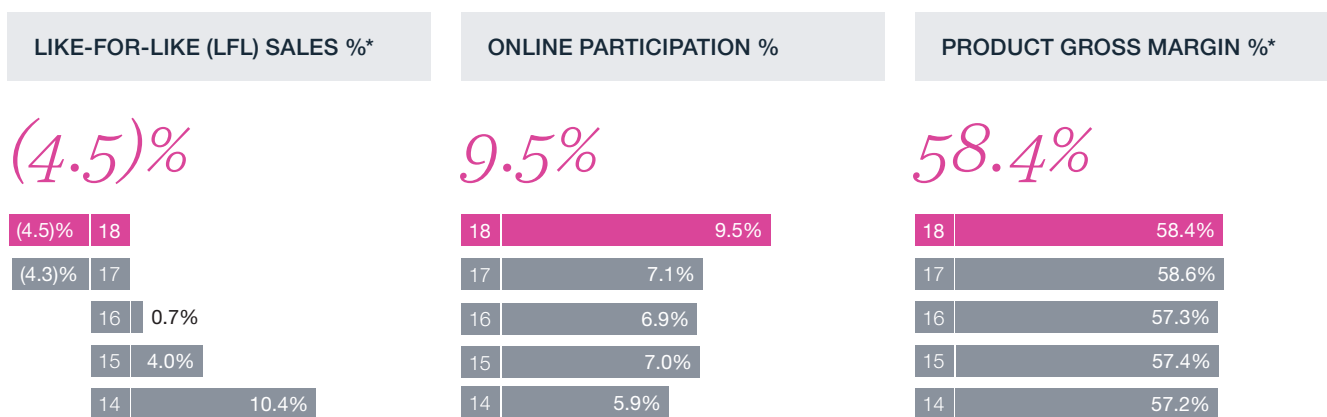
Continue to progress through implementation of ERP system.

System/technology developments to enable delivery of other parts of the strategy, e.g. changes to online payment software, multi-channel loyalty scheme operation and upgrade to customer fulfilment software.

Procurement review to ensure that non-stock goods/services purchased in the most cost effective way.

KEY PERFORMANCE INDICATORS

Financial and non-financial KPIs are used to measure performance and progress against the strategic plan.



Definition

The year-on-year increase in sales from stores and concessions which have been open throughout the whole of the preceding two financial years. This KPI currently excludes online sales.

Sales for the 52 weeks ended 1 April 2018 have been used to provide a like-for-like sales comparison against FY18. (Reported FY17 revenue comprised the 53 week period ended 1 April 2017.)

Performance

As noted in the Operating and Financial Review on page 13, the store LFL sales result for FY18 was below expectations due to poor performance during the second half of the year.

Definition

Online sales as a percentage of total sales.

Performance

This was the highlight of FY18's performance; after remaining static for the previous three years, the online participation increased significantly during FY18. The Strategy update on pages 18 to 23 of the Operating and Financial Review provides information about the plans which are in place to continue improving performance during the coming year.

Definition

Product gross profit as a percentage of revenue.

Performance

The margin was 58.4%. Whilst this was a 20bps decline compared with FY17's percentage, in the context of a significant FX headwind, we are pleased with the product gross margin performance, which was supported by a reduction in the level of discounting compared to last year. Please refer to the commentary relating to product gross margin on page 14 of the Operating and Financial Review for further information.

* The like-for-like and product gross margin KPIs are measured and quoted on the same basis as used for internal management reporting. The product gross margin % excludes the costs of operating our bricks and mortar stores.

UNDERLYING PBT MARGIN %

4.3%

18	4.3%
17	3.3%
16	5.6%
15	6.9%
14	6.8%

Definition

Profit before taxation ('PBT') and exceptional items as a percentage of revenue.

Performance

The better than expected product gross margin and a tight control of costs resulted in an increase in the underlying PBT margin. Commentary in relation to operating expenses can be found on page 15, within the Operating and Financial Review.

CASH BALANCE

£5.3m

18	£5.3m
17	£6.9m
16	£13.0m
15	£11.1m
14	£8.2m

Definition

Cash held by the Group at the year end.

Performance

A small cash outflow during the year reduced the year-end cash balance to £5.3m compared to £6.9m at the end of last year. This was due to financing differences, and the Group's cash position remains healthy, supported by an undrawn £10.0m bank facility.

NET PROMOTER SCORE ('NPS')

73.7%

18	73.7%
17	73.4%
16	70.1%

Definition

A measure of the propensity of customers to recommend Bonmarché to someone else. Since the beginning of FY16, the data has been collected through customer satisfaction surveys.

Performance

The improvement in customer satisfaction scores is positive, but there remains an opportunity for significant improvement, which is a focus for FY19, through making a number of strategic and operational improvements.

OPERATING AND FINANCIAL REVIEW



“

Overall, we are pleased with the progress this result represents, in a retail clothing market that became more challenging as the year progressed.



“

The financial position of the business continues to be sound, with no net debt.

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.

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 opposite 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 opposite.

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.

Profit and loss summary	FY18 £'m	FY17* £'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%

* 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%

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%)

OPERATING AND FINANCIAL REVIEW CONTINUED

Sales continued

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

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 and FY18 (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.

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%)	110bps

OPERATING AND FINANCIAL REVIEW CONTINUED

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; and
- FY18's capex comprising a lower proportion of non-qualifying expenditure than FY17's, equating to a 90bps 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 £'m	FY17 £'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 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 £'000	FY17 £'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 relaunch, 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 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.



OPERATING AND FINANCIAL REVIEW CONTINUED

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 has 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 underestimated 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 offline marketing has 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.

OPERATING AND FINANCIAL REVIEW CONTINUED

Strategy update continued

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 UK, 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 deprioritise 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 touchpoint on the customer's journey, the experience is coherent and consistent.

OPERATING AND FINANCIAL REVIEW CONTINUED

Strategy update continued

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 IT 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



RISK MANAGEMENT AND PRINCIPAL RISKS

Risk management framework

The Board has overall responsibility for ensuring that risk is appropriately managed. The Board considers that effective risk management is critical to enable delivery of the long term strategy and overall success of the business.

Risk is a standing item within the Finance Director’s report for each Board meeting and during the year, the Board received detailed presentations on key areas of risk.

During FY18 we engaged a third party specialist to undertake a high level IT security maturity review and produce a gap analysis. This benchmarked our current position against ISO standards and retail industry peers using the Information Security Forums’s benchmarking tool. The Board received a presentation on the outcomes and an action plan was produced with priorities identified in the short and medium term. An additional gap analysis was undertaken in relation to the introduction of the General Data Protection Regulation (GDPR). The progress with implementation for both areas of work is reported to the Board on a regular basis.

A detailed analysis of the supplier base and our ethical compliance standards was undertaken to support the work on the Modern Slavery Statement. The output from this work were presented to the Board.

Senior management identifies new and emerging risks or changes to the risks that are relevant to their areas of responsibility. Risks are given an overall impact assessment and evaluated as to the likelihood of them occurring and potential financial and reputational impact. Risks are allocated to a member of the senior management team whose responsibility it is to monitor the mitigating activities and take any actions required.

The Board considers that this framework allows risks to be assessed and managed in a balanced and proportionate way and will result in the implementation of effective controls. The Group Risk Register is reviewed by the Board each year.

During the year the Audit Committee reviewed the effectiveness of the risk management and internal control systems. The review concluded that the framework is suitable for identifying, evaluating and managing principal risks and enables risk management activities to be monitored and reviewed on a regular basis.

The Board believes that Brexit has minimal direct effect on the Group as it is not a significant importer of goods from affected areas. There are potential indirect effects including exchange rate volatility, consumer confidence and potential changes to access to EU labour. The Board continues to monitor the progress of the negotiations of the terms under which the UK will leave the EU, and the market implications of those terms, and it does not believe that Brexit represents a principal risk for the Group at this time. However, it will continue to keep the situation under review given the lack of certainty in this area.






The principal risks and uncertainties identified by management and how they are being managed are set out below and on pages 25 and 26. The Board recognises that the nature and scope of these risks can change and they are not intended to be an exhaustive analysis of all risks that may arise in the ordinary course of business or otherwise.

The principal financial risks are disclosed in note 2 to the financial statements on pages 83 and 84.

Change key:

-  Increase in risk
-  Decrease in risk
-  No change

Strategy key:

-  Product
-  Loyalty
-  Online
-  Stores
-  Systems & processes

Risk

Mitigation

ECONOMY



Almost all the Group’s revenue is generated in the UK. A deterioration in the strength of the UK economy would be likely to reduce consumer spending and demand for discretionary items.

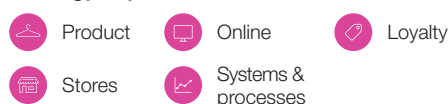
This could materially and adversely affect the financial position and prospects of the Group.

- The business offers a low-priced, value product which may be less affected by a reduction in discretionary spend than higher priced competitors.
- Property leases have short remaining lives allowing relative flexibility to close and/or relocate stores should the need arise, for example in the face of deterioration in the attractiveness of a shopping location.
- The Group has banking facilities committed until 2020 and carries out robust stress testing in relation to viability, going concern, banking covenants and facility headroom.

Change key:



Strategy key:



Risk

Mitigation

NEW COMPETITORS



Existing or new competitors may expand into the target market. Any consequential decline in market share could lead to lower sales and the need for more competitive pricing which could have an adverse effect on the Group's financial position.

- Clear single customer profile – Lisa – to ensure a broad appeal to our target market. Improvements to ranges and focus on key categories.
- Developing an increasingly strong online offer which to provide a more integrated shopping experience. Introduction of exclusive online ranges.
- Operating an agile trading model that will allow the Group to respond to the customer more quickly. Suppliers have been introduced that can deliver on shorter lead times to support faster responses to customer demands.
- Strong brand and the increased engagement of a brand ambassador, Mark Heyes.
- The use of market intelligence and continuous review of customer feedback. Programme of focus groups to gain a deeper understanding of customer requirements.

BUYING AND DESIGN



Failure to identify and react to fashion and clothing preferences of the target market could result in lower sales and affect brand image. We need to be responsive to the customer in respect of price, range, quality and service.

- Single customer profile to ensure clear focus and consistent product DNA.
- Active management of pricing, trade plan and promotional and marketing campaigns.
- Ongoing product and market research and attending trade fairs to gain market intelligence. Buying, merchandising and marketing teams strengthened during the year with experienced professionals with high levels of market knowledge.
- Strong quality control throughout the supply chain. Good working relationships with key suppliers.
- Agile trading model supported by improving IT systems and ways of working. Response times improved by better geographical mix of supplier base.
- Store and customer feedback and data from the Bonus Club used to consider the development of future seasons' products. Regular feedback from customer surveys and customer focus groups.

ETHICAL SOURCING



The Company's products are predominantly manufactured overseas. Failure to carry out appropriate due diligence and act on any negative findings could impact reputation with customers and investors.

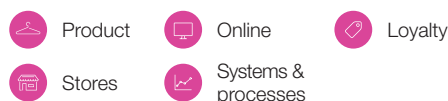
- Strengthened our Quality Assurance team to increase the focus on product quality and ethical trading standards. New role of ethical trade co-ordinator established.
- Member of the Ethical Trading Initiative. Continuous improvement has been demonstrated with an increase in our ethical compliance score in the year from 31% to 41% which represents a good rate of progress compared to our peers.
- Enhanced our interaction with suppliers to ensure they are clear about our ethical standards. A supplier conference was attended by the top 20 suppliers representing over 80% of annual stock purchases. Compliance with policies and procedures is mandatory for all our suppliers. Existing sourcing manual and terms and conditions strengthened.
- Ethical auditing programme undertaken by SEDEX (the supplier ethical data exchange) and regular supplier visits by the Quality Assurance team.
- First Modern Slavery Statement published and action plan established. A Modern Slavery working group with representatives from across the business meets on a regular basis. Group-wide training initiative has commenced.

RISK MANAGEMENT AND PRINCIPAL RISKS CONTINUED

Change key:



Strategy key:



Risk

Mitigation

FOREIGN EXCHANGE RISK



A significant proportion of stock is purchased overseas and paid for in foreign currency, principally US Dollars, and this could impact profitability and cash flows.

- Strong financial framework and Treasury Policy. Hedging instruments used purely to reduce the exposure to currency fluctuations allow visibility for typically up to 12 months.
- Further information regarding financial risks is included in the notes to the accounts on pages 83 and 84.

IT SYSTEMS AND SECURITY



Failure of the IT systems could lead to business interruption and reputational damage.

Failure to make appropriate investment in new IT systems could result in delays in executing strategy.

Loss of key and sensitive business data as a result of a security breach, external hacking or cyber threats.

- IT expertise strengthened on the Board and increased numbers within the team. New Technology and Change Director recruited.
- Data security audit undertaken by third-party specialist and plan devised to improve controls and processes.
- Programme in place to replace legacy IT systems with up to date software, implemented using appropriate resource and methodology, which is more reliable and robust.
- Programme board in place to prioritise projects and delivery, reputable and regularly updated antimalware, antivirus, antispam and web filtering software are used and appropriate policies are in place.
- PCI compliance certificate renewed.
- Business continuity plan in place which is reviewed and updated.
- Group-wide implementation plan devised to meet GDPR requirements.

KEY EMPLOYEES AND RESOURCING



The business depends on the continued services of its Directors and senior management team who have significant in-depth knowledge of the industry, Company, products and target market. Our colleagues are key to the achievement of our strategy.

- Fair employment policies and flexible working practices for all colleagues.
- Remuneration Policy designed to attract, retain and motivate key individuals.
- Share-based incentive scheme for senior managers.
- Continued to increase the use of social platforms to attract new talent.
- Work to analyse skillsets across the business as an aid to succession planning took place during the year and will be developed further in FY19.
- Leadership development programme being developed in FY19.

WEATHER CONDITIONS



Weather conditions can affect when customers shop and what they buy which could have a material impact on sales.

- Developing the multi-channel proposition.
- Reducing the reliance on seasonal ranges and the emphasis on categories that are less seasonally dependent.
- Impacts should generally have a relatively short term effect and should not affect the long term prospects of the business.

VIABILITY STATEMENT

The Directors have assessed the longer term prospects of the Group, in accordance with provision C2.2 of the UK Corporate Governance Code.

The review used a forecast period of three years and took into account the Group's current position and plans, and modelled the possible impact of its principal risks.

The retail industry is characterised by rapid change and short operating cycles, as a consequence of which a three-year horizon is considered an appropriate period over which to make such projections, and is also consistent with the Group's planning timescales.

In evaluating the Group's viability, the Directors have considered the Group's prospects and financial and operational factors. The Directors believe that Bonmarché occupies a unique niche in the clothing market, and has a sound strategy which should deliver growth despite the challenging conditions currently being experienced in this market.

The Group has continued to trade profitably and its liquidity remains strong, with a £4.3m net cash balance at the end of FY18, the lowest point in the annual cash cycle, and unutilised revolving credit facilities of £10.0m. The Group's bank facilities mature in March 2020, at which point it has been assumed that the facility will be renewable under substantially the same terms, and will therefore be available throughout the evaluation period.

The plans which supported the review consider cash flow and key ratios including the 'fixed cover' ratio used to test compliance with the single bank covenant. In assessing the possible impact of the principal risks on the viability of the Group, the Directors have considered a 'reasonable worst case' ('RWC') scenario to stress test the working capital requirements, and the headroom available within the Group's revolving credit facility. The RWC scenario simulates the effect of the crystallisation of certain key risks that in such a scenario could significantly impact on the prospects of the Group. The risks modelled were:

- a downturn in the consumer economy;
- adverse weather events;
- the entry to the market of new or stronger competition;
- poor internal execution of buying and design; and
- foreign exchange.

The ways in which these risks may affect the business, and potential ways in which the risks may be mitigated, are described in the preceding section.

Based on the outcome of its assessment, the Board concludes that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to the end of March 2021.

The Directors also consider it appropriate to prepare the financial statements on the going concern basis, as explained in the Going concern paragraph in note 1 to the financial statements.

CORPORATE SOCIAL RESPONSIBILITY

During the year we have strengthened relationships with our suppliers, improved communication with our employees and continued to generate awareness and money for good causes through our fundraising activities.

Corporate social responsibility

We aim to ensure that we conduct our business in a way that is ethical. This means taking account of our social, economic and environmental impact and consideration of colleague well-being.

Responsible sourcing

Bonmarché is committed to supporting suppliers in maintaining appropriate standards in relation to ethics and responsible business practices. To monitor compliance, we regularly visit them and we have engaged with them on a number of programmes which focus on ethical standards.

Our terms of business require suppliers to adhere to our 'Supplier Code of Conduct' which is consistent with International Labour Organisation Conventions and the Ethical Trading Initiative ('ETI') Base Code. We are committed to upholding all basic human rights and support the United Nations Guiding Principles on Business and Human Rights. We are members of the ETI and the Bangladesh Structural, Electrical and Fire Safety ACCORD.

Our suppliers, and their individual production sites, are required by us to complete periodic third-party audits based on the principles of the ETI Base Code. This provides comfort that we work only with compliant suppliers.

During the year we held our first supplier conference, which entailed the top 20 suppliers (representing 80% of annual stock purchases) attending briefings at our head office near Wakefield. This enabled us to explain our requirements in relation to compliance and ethics and support the suppliers on their own journeys towards developing in these areas.

In 2017, we established the new role of 'Ethical Trade Co-Ordinator', to help implement our ethical strategy and projects. This will also increase the resource we

have to monitor the supply chain and our suppliers and to detect and deal with instances of modern slavery or other coerced labour.

We have made progress against the action plan set out in our Modern Slavery Statement, which was published in September 2017 and is available on our website:

- A 'Modern Slavery Working Group' has been established, tasked with the implementation and review of actions required to further this agenda.
- We have been working on the development of a modern slavery questionnaire which we intend to issue to our suppliers in 2018.
- A key focus in the coming year will be on extending our training to colleagues who we have not yet reached.

Our next Modern Slavery Statement will be published on our website in September 2018.

Colleagues

Employees have a significant impact on how customers experience us, and we therefore recognise the importance of investing in, and looking after, our people.

This year there have been ongoing performance development conversations between managers and their teams to help understand development needs and those discussions are helping to shape our 'Aspiring Leadership Development Programme' which will be launched during 2019. This is a targeted training and development programme that will be available to all employees via a new online learning management system ('LMS').

A number of actions have been taken to foster greater engagement with our colleagues. These included our 'town hall' meetings which allowed head office and logistics staff to hear business updates from our Chief Executive and other Directors, and these will continue throughout the next financial year.

We continue to offer a range of family-friendly policies, including flexible working options and a holiday purchase scheme. In 2017, 57% of eligible employees opted to purchase additional holidays. We also offer a range of additional benefits such as discount for colleagues and free access to a confidential well-being helpline, provided by Retail Trust. More than 50% of staff are members of the pension scheme and colleagues are auto enrolled subject to meeting the minimum requirements. The Company's contribution rates ensure that all legislative requirements are met.



Supplier conference



This year we published our first Gender Pay Gap Report which showed that there is no median gender pay gap in Bonmarché. The full report can be found on our website, www.bonmarcheplc.co.uk.

We strive to make Bonmarché a great place to work and to support this we will be undertaking a colleague opinion survey in 2018/2019. This will provide all employees with the chance to let us have feedback on working for the Company and we will publish more details on this, together with any resulting actions, in next year's Annual Report.

Charitable activity

Macmillan Cancer Support is Bonmarché's chosen charity partner and this is one way we give something back to the communities in which we work. During the 2017/18 year we raised £264,762 for the charity, which included donations from colleagues and customers, who continue to give generously. This figure also included money raised as a result of the carrier bag levy, as detailed within our Environment report below.

This year's fundraising activities included:

- the 'Macmillan Coffee Morning' held at head office and throughout the entire store network;
- a 'Go Mad, Go Green' event held throughout the store network; and
- Macmillan merchandise sold throughout the store estate.

FY19 will see us continue to support Macmillan via a series of one-day hiking marathons across the UK.

Whilst Macmillan is the main charity on which we focus, in FY18 we also supported various local community projects, for example by donating clothing to the Grange Moor Community Project. Our head office and distribution centre also collected food for a local welfare centre in Huddersfield.



Our staff support Macmillan throughout the year with fundraising activities



CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Environmental report

We aim to conduct our business in a manner that protects the environment by working to ensure that all relevant environmental legislation, regulations and approved codes of practice are met.

The Company is committed to recycling wherever or practical, including paper, IT equipment, hangers and returned worn clothes. This year saw us reassess the way in which we recycle cardboard waste. Now, all cardboard waste is returned from stores via our delivery network to our distribution centre where it is recycled centrally alongside all head office waste.

In the third full year of the compulsory carrier bag levy for businesses, we have played an active role in reducing carrier bag usage by 65% since the levy was introduced and all money raised from the levy was donated to Macmillan.

Scope 1 emissions principally comprise fuel consumed in the Group's freight, company car and grey fleets, and have been calculated using mileage and fuel records. Bonmarché uses very little natural gas but supplier invoicing has been used to calculate emissions. Data for company cars and grey fleet was estimated based on previous years' data.

Scope 2 emissions comprise electricity consumption with the source data being supplier invoices, in conjunction with the UK Government Conversion Factors for Company Reporting.

During the year the Group continued a rolling programme with audits to comply with Phase 2 of the Energy Savings Opportunities Scheme which is due for completion by December 2019.

Health and safety

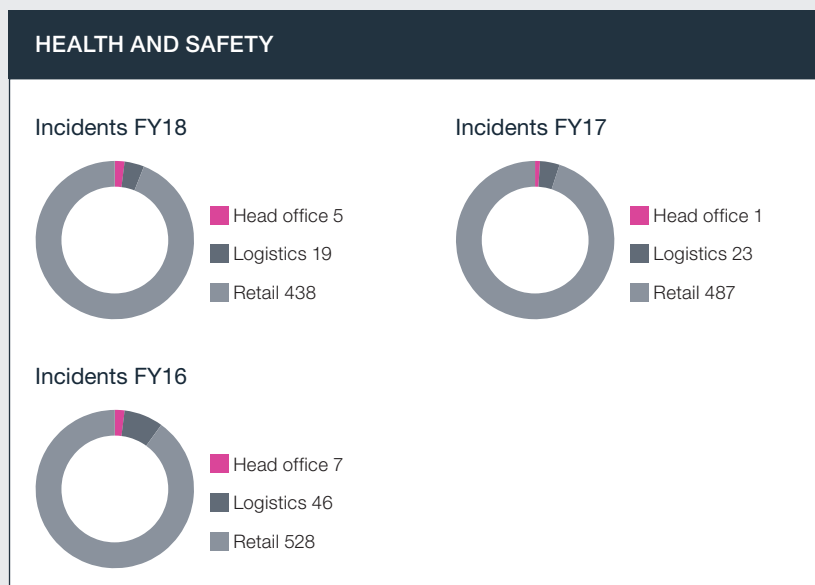
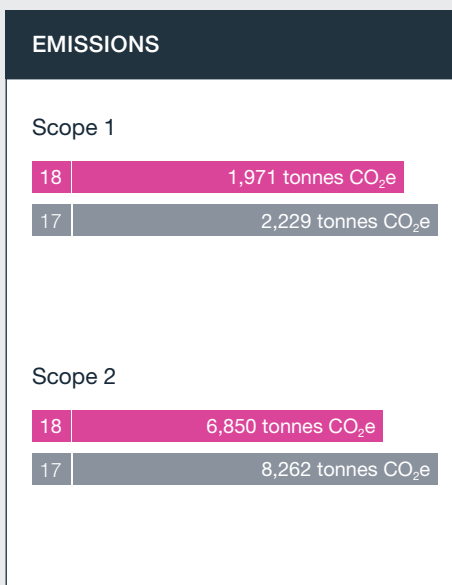
We want shopping and working with Bonmarché to be an enjoyable and safe experience. Health and Safety standards are well established within the business and compliance is monitored by the Board.

Our dedicated health and safety team continues to work to ensure that we comply with the current statutory requirements and our continued partnership with health and safety consultant ELCONS supports us in continuing to drive forward our health and safety initiatives.

The business continues to be supported by a health and safety committee, which meets quarterly with representatives from across the business.

We have successfully implemented the initiatives set out in our last Annual Report which saw the development and implementation of a health and safety intranet site for all employees which provides regular updates on trends and best practice for a safe working environment. The past year also saw the commencement of a review of all risks within the business. This will continue into the first quarter of FY19 with a further focus on training to upskill our retail colleagues where specific training needs have been identified.

The health and safety team had previously committed to undertake a five-year risk audit programme whereby 20% of the branch estate and concessions would be annually audited and risk rated. This year saw the number of stores that achieved audit compliance and green risk rating increase to 85%.



Tax transparency

Tax approach

The Board believes that good corporate governance principles should extend to the Group's attitude towards its tax liabilities. Therefore the Group's objective in relation to managing and controlling its tax affairs is to comply with relevant legislation, whilst minimising its tax liabilities. The Group will therefore use all appropriate exemptions, reliefs or other tax planning mechanisms, provided that, when judged on a reasonable basis, they would not be considered 'aggressive'. The Group is proactive, open and transparent in its dealings with HM Revenue & Customs.

Tax expense

All of the Group's profits are subject to UK corporation tax, for which the statutory rate for FY18 was 19%. The effective tax rate on profit before tax for FY18 was 20.4%. This was higher than the statutory rate due to the ongoing effect of expenses not deductible for tax purposes, which increase Bonmarché's normal effective tax rate. The table below illustrates the reconciliation between the theoretical tax charge and the actual tax charge.

	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Profit before tax ('PBT')	8,000	5,793
Theoretical tax charge – PBT multiplied by rate of corporation tax of 19%/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)
Actual tax charge	1,629	1,339

An explanation of the differences between the Group's actual effective tax rate for FY18 and its normalised effective rate can be found in the Operating and Financial Review on page 16.

Tax cash payments

The UK income tax paid in FY18 was £1.5m, whilst the tax expense charged to the profit and loss account for the year was £1.6m.

The tax expense and the cash tax paid in each financial year are different, principally because UK cash tax payments are made in quarterly instalments which straddle consecutive financial years. For example, the cash tax paid in FY18 of £1.5m comprised the final two quarterly instalments in respect of FY17 amounting to £0.6m, and the first two quarterly instalments in respect of FY18 amounting to £0.9m. The quarterly instalments are based on estimates of the expected tax liability for the full year and may therefore vary from the actual liability.

Total tax contribution

The Group's contribution to the UK Exchequer is significantly greater than its headline UK corporation tax liability. During FY18, the total tax cost incurred by the Group was £17.7m (FY17: £19.9m). In addition, the Group collected on behalf of the UK Exchequer £17.3m (FY17: £16.7m). The composition of this is shown below.

	FY18 £'m	FY17 £'m
Business rates	9.4	10.9
Import duty	4.0	5.1
Corporation tax	1.6	1.4
Employer's NIC	1.8	1.8
Apprenticeship levy	0.2	—
Fuel duty	0.3	0.4
Carbon reduction commitment	0.2	0.2
Business rate levies	0.1	0.1
Stamp duty	0.1	0.1
Total borne	17.7	19.9
VAT collected	12.1	11.2
Employees' PAYE/NIC collected	5.2	5.5
Total collected	17.3	16.7
Total tax contribution	35.0	36.6



CHAIRMAN'S INTRODUCTION TO GOVERNANCE



John Coleman
Non-executive Chairman

Dear shareholder

As Chairman of the Board, I am pleased to present our Corporate Governance Report for the 52 weeks ended 31 March 2018. This explains how the Company has applied the principles of corporate governance as set out in the 2016 edition of the UK Corporate Governance Code (the Code) as published by the Financial Reporting Council (FRC) and available on its website, www.frc.org.uk.

As your Chairman, I am responsible for ensuring that the Board operates within a sound governance framework and to ensure that the structures are in place to balance the interests of all our stakeholders and make sure they are central to all the decisions made. The Board is responsible to shareholders for strategic direction, management and control of the Company's activities and is committed to the highest standard of corporate governance in delivering in these areas. Having regard to compliance with the Code, the Board considers that appropriate corporate governance standards were in place throughout 2018.

The following Corporate Governance Report and the reports of the Committees set out how the main principles in relation to leadership, effectiveness, accountability, remuneration and relations with shareholders have been applied and outline the work undertaken by the Committees during the year. The Company has complied with all the Code's provisions for the period ended 31 March 2018.

Information on the Board evaluation, including the conclusion of the evaluation of my performance by the Senior Independent Non-executive Director, is on page 39 of the Corporate Governance Report.

Following changes to the Board in FY17, FY18 has been a year of stability with regard to Board composition. The Board continues to work well together and has a well-balanced set of capabilities and governance and compliance is strong. The evaluation concluded that the Committees of the Board are effective, and all members made valuable contributions.

As a business we value diversity and we continue to maintain a strong female presence on the Board. The Board meets colleagues when undertaking regular store visits and will consider the most appropriate mechanism for the size and structure of the business to ensure that any revisions to the Corporate Governance Code, due to be published later in the year, are met in order for our colleagues' views to be represented at Board level.

The focus in FY19 remains on the development and implementation of our strategy as outlined in the Strategic Report starting on page 1.

The AGM will be held at our headquarters at Grange Moor, near Wakefield, on 26 July 2018, and I welcome the opportunity to meet as many of our shareholders as can attend. All Directors are subject to re-election and the Nomination Committee has concluded that all the Directors continue to be effective and demonstrate the appropriate commitment to the Board. The AGM provides the opportunity for shareholders to ask any questions they might have in respect of the Group's activities.

BOARD OF DIRECTORS

*John Coleman*

Non-executive Chairman

*Helen Connolly*

Chief Executive

*Stephen Alldridge*

Finance Director

Date of appointment

October 2013

August 2016

March 2003

Committee membershipAudit Committee and
Remuneration Committee

Attends by invitation

Attends by invitation

Chairman

Nomination Committee

None

None

Experience

John Coleman has 16 years of experience acting as a Non-executive Director on the boards of various companies in different sectors, including builders merchants, travel/leisure and retail and the value fashion retail segment. John worked as CEO of House of Fraser between 1996 and 2006 and as CEO of Texas Homecare and Ladbroke's plc between 1993 and 1995. Before that he was Managing Director of Dorothy Perkins from 1991 to 1993, Managing Director of Topman and Topshop from 1990 to 1991 and Managing Director of Topshop from 1986 to 1990, all at the Burton Group. John is a qualified accountant.

Current external appointments

Appointed as Chairman of McBride plc in April 2016.

Experience

Commencing her role as CEO in August 2016, Helen Connolly brings significant experience from the retail sector, with particular expertise in women's apparel. Helen was formerly the Senior Buying and Brand Director for George at ASDA where she was responsible for all women's clothing, non-clothing and male and female essentials. Helen is commercially focused and during her time at ASDA delivered both profit growth and growth in market share. Her positions at ASDA also included Category Director for Buying and Design and Buying Manager of Womenswear. Prior to this, Helen was Head of Buying at Dorothy Perkins and held positions in both buying and sourcing at Next plc.

Current external appointments

None

Experience

Stephen Alldridge joined the Group in 2003 and has an in-depth knowledge of Bonmarché. This knowledge is invaluable to the Board. He jointly led the acquisition of the business in January 2012 and was closely involved in the development of strategy, as well as overseeing Bonmarché's logistics and IT operations. He led the successful AIM IPO in November 2013 and Bonmarché's move to the Main Market in October 2015. Before joining Bonmarché, he was a Financial Controller at The Peacock Group plc, which he joined in 1996. He qualified as a Chartered Accountant with Ernst & Young, following which he spent two further years with the firm specialising in corporate recovery.

Current external appointments

None



Ishbel Macpherson

Senior Independent
Non-executive Director



Mark McClennon

Independent
Non-executive Director



Sergei Spiridonov

Non-independent
Non-executive Director

Date of appointment

October 2013

April 2016

April 2016

Committee membership

Nomination Committee

Audit Committee,
Nomination Committee and
Remuneration Committee

Attends by invitation

Chairman

Audit Committee and
Remuneration Committee

None

None

Experience

Ishbel Macpherson has over 10 years of experience acting as a Non-executive Director on the boards of various companies in different sectors, including pharmaceuticals, retail and support services. Prior to acting as a Non-executive Director, Ishbel worked in the finance sector, as Head of UK Emerging Companies, Corporate Finance at Dresdner Kleinwort Wasserstein between 1999 and 2005, Head of Smaller Companies, Corporate Finance at Hoare Govett between 1994 and 1999, and Director of Corporate Finance at BZW between 1989 and 1994. Her extensive financial knowledge and experience of complex corporate transactions are of particular value to the Board.

Current external appointments

Senior Independent Non-executive Director of Dechra Pharmaceuticals plc and a Non-executive Director at Fidessa Group plc.

Experience

Mark McClennon was appointed in May 2017 as Global CIO at Burberry – the British luxury fashion retailer, to lead all aspects of technology. Previous to this he held the role of Global Vice President for IT at Unilever plc, leading IT in relation to the growth agenda for the Unilever group covering marketing, e-commerce, human resources, research and development and sustainability. He joined Unilever in 1993 and held a variety of senior roles across the business. Mark holds a BA (Hons) in pure mathematics from the University of Liverpool and he trained as an accountant. His extensive experience in IT systems and business change has added strength to the skills of the Board in these areas.

Current external appointments

Global Chief Information Officer at Burberry.

Experience

Sergei Spiridonov previously led the strategic transformation team at Tesco plc and before that he was a Partner with McKinsey and Company, where he worked with a wide range of consumer and retail businesses. He holds a master's degree in business administration from Harvard Business School and a Master of Science degree in accounting and finance along with a certificate in banking and finance from the London School of Economics. His experience has given him in-depth knowledge of strategy and performance transformation across multiple industry sectors.

Current external appointments

Group Chief Operating Officer of Sun European Partners LLP, the European adviser to Sun Capital.

TRADING BOARD AND COMPANY SECRETARY

*Simon Calvert*

Trade Director

Simon Calvert joined the business in April 2017 and is responsible for customer marketing, e-commerce, supply chain, logistics and merchandising. Prior to joining Bonmarché, Simon was the Global Trading Director at The Conran Shop with overall responsibility for marketing, merchandising, e-commerce and logistics. Previously, Simon was Merchandise, Logistics and Supply Chain Director at Republic and Merchandise Director at BHS.

*Geraldine Higgins*

Product Director

Geraldine Higgins joined the Group in January 2016 as Product Director and is responsible for buying, design, sourcing and compliance. Geraldine has a strong value trading and sourcing background and she started her career in Ireland for Dunnes Stores, before moving to the UK to join Primark. Subsequently, she worked for Matalan and Etam (Holland), Head of Womenswear at Tu Sainsbury's and as Brand Director at Monsoon.

*Stuart Merrilees*

Technology and Change Director

Stuart Merrilees joined Bonmarché in December 2017 as Technology and Change Director, and is responsible for technology operations and business change. Stuart joins us from GL Group, where he held the position of Global Business Transformation Director, responsible for the development and delivery of the strategic plan, strategic projects portfolio and organisational change governance and oversight. He has successfully led strategy and transformational change initiatives across the financial services, leisure and retail industries, working for RBS, Direct Line Group and GL Group.

*Mark Pickersgill*

Retail Director

Mark Pickersgill joined Bonmarché in August 2008 to head up retail operations, store portfolio and store design and visual merchandising. Previously, Mark spent four years at C&A, six years at Topshop, two years at Next, three years at Gymboree and seven years at Peacocks.

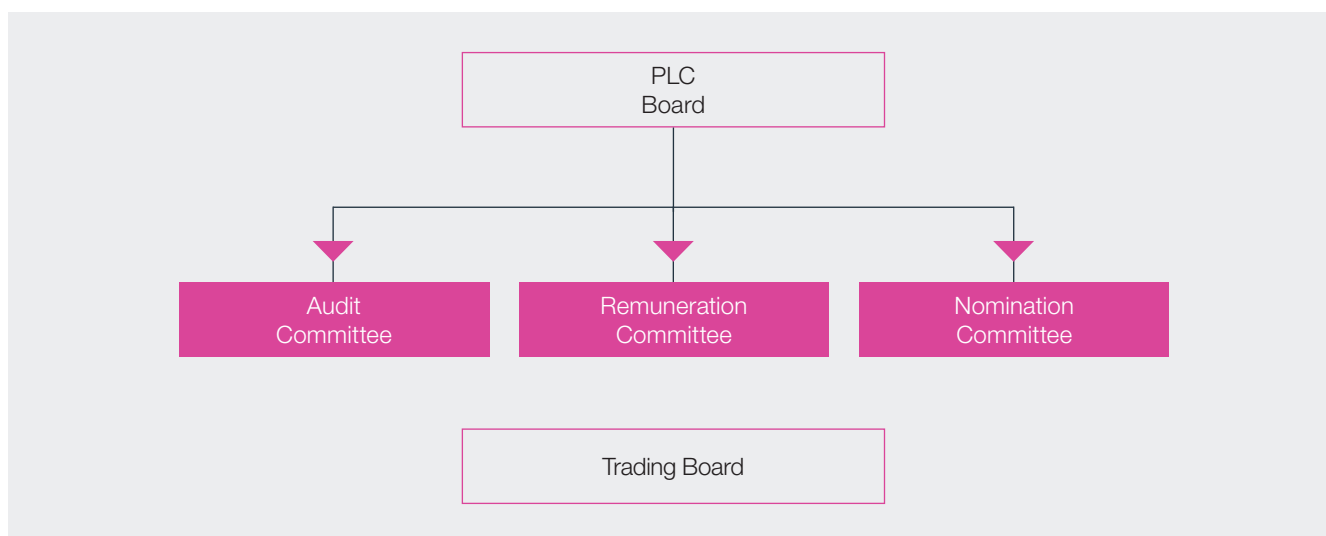
*Caroline Farbridge*

Company Secretary

Caroline Farbridge joined Bonmarché in September 2016 as Company Secretary. Caroline has over 20 years' governance experience across several business sectors, most recently as Group Company Secretary for EMIS Group plc. Prior to that, she worked for WYG plc, Provident Financial plc, Heywood Williams plc and Yorkshire Electricity plc. Caroline is an Associate Member of the Institute of Chartered Secretaries and Administrators. Alongside her role of Company Secretary, Caroline was also appointed as Head of HR for the business in October 2017.

CORPORATE GOVERNANCE REPORT

The Company's governance framework is set out in the diagram below:



The role of the Board

The Board is responsible for strategic direction, management and control of the Group's activities and is committed to the highest standard of corporate governance in delivering in these areas. The Board also approves the Group's values and works to ensure that its responsibilities to shareholders and other stakeholders are met. Having regard to compliance with the Code, the Board considers that appropriate corporate governance standards were in place throughout the last financial year.

A Schedule of Matters Reserved for the Board is in place and was reviewed and approved during the year. The Schedule can be found on the Company's website: www.bonmarcheplc.co.uk.

The key responsibilities of the Board are:

- the overall management of the Group;
- approval of long term objectives and strategy;
- approval of revenue and capital budgets and plans;
- oversight of operations, ensuring that adequate systems of internal control and risk management are in place and that accounting and other records are maintained such that statutory and regulatory obligations are complied with;
- review of performance in light of strategy and budgets;
- approval of the audited financial statements, the Annual Report, the interim results, material contracts and major projects;
- approval of the dividend policy;
- determining changes to the structure, size and composition of the Board and succession planning;

- determining the remuneration policy for the Executive Directors and senior executives and approval of the remuneration of the Non-executive Directors; and
- approval of communications with shareholders and the market.

Further information on the matters that have been considered during the year is set out on page 40.

The Terms of Reference for the Audit, Nomination and Remuneration Committees are available on the Company's website: www.bonmarcheplc.co.uk.

The Board delegates specific powers for some matters to its principal Committees which are set out below. The outputs from each Committee meeting are reported to the Board by the Committee Chairman to enable the Board to maintain the necessary oversight. More detail on the Committees and their work is described in the 'Committees' sections in this report.

The Board is supported in delivering the strategy of the Group by a Trading Board. The Trading Board meets weekly and consists of the Chief Executive, who chairs the meeting, the Finance Director, the Technology and Change Director, the Trade Director, the Product Director and the Retail Director. The Company Secretary attends in an independent capacity. The responsibility of the Trading Board is to oversee the day-to-day management of the Group's business, implement the strategy and policies of the Board and review progress and financial performance against approved budgets and plans. The proceedings of the Trading Board are reported to the Board by the Chief Executive.

CORPORATE GOVERNANCE REPORT CONTINUED

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separate and the division of their responsibilities has been agreed and approved by the Board. The Chairman engages in separate discussions with the Non-executive Directors between formal Board meetings.

Independent Non-executive Chairman

The Chairman is responsible for the overall leadership and governance of the Board. He aims to ensure that the Board is effective, sets the agenda and programme for the year, allocates adequate time for active engagement and challenge in relation to all agenda items and directs that the Directors receive accurate and timely information.

The Chairman also consults with the Non-executive Directors, including the Senior Independent Director, on matters of corporate governance.

The Chairman also chairs the Nomination Committee.

Chief Executive

The Chief Executive is responsible for the day-to-day leadership, operation, performance and management of the Group and for leading the implementation of the strategy agreed by the Board. Engagement with internal and external stakeholders is a vital component of the role. The CEO monitors actions and performance through a series of KPIs and Trading Board meetings as well as one-to-one meetings with senior management. This facilitates cross-functional working designed to ensure that key projects are delivered and communicated and the associated risks are taken into consideration.

Senior Independent Director

The Senior Independent Director ('SID') is available to shareholders, employees and other stakeholders to address any concerns which may not be resolved through the normal channels of Chairman or Chief Executive.

The SID also held a meeting during the year with the Non-executive Directors without the Chairman present. The SID conducts the Chairman's annual performance evaluation.

As Chair of the Audit Committee, any unresolved confidential concerns can be raised to the SID in line with the Group's whistleblowing policy.

Non-executive Directors

The Non-executive Directors are appointed for a three-year term subject to annual re-election by shareholders at the Annual General Meeting. Their letters of appointment set out their duties and the level of commitment expected. They are expected to commit at least 15 days per annum. The key elements of the role of Non-executive Director are:

- strategy – to challenge constructively, and contribute to the development of strategy and the business model;
- performance – to scrutinise the performance of management in meeting agreed goals and objectives and monitor reporting of performance;
- risk – to satisfy themselves as to the integrity of financial information and the robustness of financial controls and systems of risk management; and
- people – to determine appropriate levels of remuneration for the Executive Directors and oversee the appointment of Executive Directors and succession planning.

Company Secretary

The Company Secretary manages effective communication between the Board and its Committees and between senior management and the Non-executive Directors. The Company Secretary also advises the Chairman and the Board on corporate governance and aims to ensure that Board procedures are followed.

Any Director can take independent professional advice relating to the performance of any aspect of their duties at the Company's expense, which is facilitated by the Company Secretary.

Conflicts of interest

The Companies Act 2006 and the Articles of Association, require the Board to consider any potential conflicts of interest. The Board may authorise any actual or potential conflict of interest on the part of a Director and may impose appropriate conditions relating to such conflict.

Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and in such circumstances they are not counted in the quorum.

A process is in place to identify Directors' potential or actual conflicts of interests. This includes declaring any potential new conflicts before the start of each Board meeting. A Conflicts of Interest Register is maintained.

Committee membership

The Board has agreed that all independent Non-executive Directors will serve as members of the Audit, Remuneration and Nomination Committees. The majority of all Committee members are independent Non-executive Directors. Ishbel Macpherson currently acts as Chair of the Audit and Remuneration Committees.

Board induction, training and development

An induction programme for newly appointed Directors is in place which consists of briefings from the Chairman, the Chief Executive, the Finance Director and corporate advisers, meetings with the senior management teams along with visits to the head office, the distribution centre and stores. The Directors are encouraged to attend training and continuing professional development courses as required.

During the year the Board responded to the Corporate Governance consultation paper and received a remuneration update from the Company's remuneration advisers. Over the course of the year, the Board received presentations from each member of the Trading Board.

Individual training needs are discussed with Directors as part of the annual Board evaluation process. Updates on corporate governance and regulations are provided as required.

Performance evaluation

The Board conducted an evaluation of its own performance. The evaluation was conducted on the basis of questionnaires which were completed by each individual Director. Responses were reviewed by the Chairman, who then met with each Director and the Company Secretary on a one-to-one basis to discuss their responses, general views as to the Board's performance and individual training needs. The Chairman summarised the outcome of the process to the Board. All Directors agreed that the Board is of an appropriate size and composition to fulfil its responsibilities, and that the diversity of skills and experience on the Board provides for open debate and focused and constructive challenge by the Non-executive Directors. A strong governance culture exists and is supported by all the members of the Board.

One key element of this evaluation has been the performance of the Chairman which was reviewed by the Senior Non-executive Director who consulted with other members of the Board. John Coleman has one other appointment on a UK listed company board, as Chairman. His other commitments are in overseas and private companies. The evaluation reviewed the amount of time spent preparing for and attending meetings and it concluded that he continues to be fully committed to his role and allocates sufficient time to discharge his responsibilities effectively. His sector knowledge and experience are of significant value to the Board.

Other key areas of focus identified for FY18 were succession planning and ensuring that regular updates were received from the Trading Board and other senior managers.

Provision B.6.2 of the UK Code, which requires that evaluation of the Board should be externally facilitated at least every three years, does not apply to the Company as it is not a constituent of the FTSE 350. The Board considered that the process employed remained appropriate for the Board evaluation that took place in May 2018 given the size of the Company. The Board will continue to review whether an externally facilitated evaluation would be appropriate in future years. Details of the actions from the May 2018 Board evaluation will be disclosed in next year's Annual Report.

Appointments

The recruitment of any new Director is led by the Nomination Committee, although there were no new appointments to the Board during the last financial year. Where appropriate, the Committee is supported by external independent search consultants (see the Nomination Committee Report on page 42).

How the Board operates

The Board meets at regular intervals and met eight times during FY18. Directors are also provided with weekly trading information and a Board pack covering each month in which no formal Board meeting is held such that they are apprised of the Company's ongoing performance. Directors have contact on a variety of issues between formal meetings and are encouraged to question and voice any concerns they may have on any topic put to the Board for debate.

The Board is supported in its work by Board Committees which are responsible for a variety of tasks delegated by the Board. Attendance at Board and Committee meetings by the Directors is shown below:

	Board	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
J Coleman	8/8	3/3	4/4	2/2
I Macpherson	8/8	3/3	4/4	2/2
H Connolly	8/8	—	—	—
S Alldridge	8/8	—	—	—
M McClennon	8/8	3/3	4/4	2/2
S Spiridonov	8/8	—	—	—

Note: The number of meetings attended is reported out of the number of meetings that the Director was eligible to attend.

CORPORATE GOVERNANCE REPORT CONTINUED

How the Board operates continued

The Chief Executive and Finance Director may also attend Committee meetings by invitation.

Accountability**What the Board did during the year**

There are a number of standing and routine items included on each Board agenda:

- minutes of previous meetings and a review of the implementation of actions agreed at previous meetings;
- register of interests;
- the Chief Executive's report, which includes markets and customer development updates as well as reviews of marketing activity, health and safety and people issues;
- the Finance Director's report, which contains management accounts, financial reports, treasury, business risk, proposed new store openings and investor relations updates; and
- updates on Board Committee matters.

During the year the Board also considered:

- organisational and strategic project updates and reviews, including the business change programme, the retail restructure, e-commerce and marketing, customer profile and HR;
- store visits;
- approval of full and half-year results and other trading updates;
- budget approval;
- Modern Slavery Statement;
- review of data security and GDPR implementation;
- annual health and safety reporting;
- insurance programme renewal;
- Board evaluation;
- Gender Pay Gap reporting;
- Tax Strategy;
- Presentations on the implementation of ERP; and
- Annual Report and AGM.

Risk management and internal control systems**Introduction**

The Board is responsible for overseeing that an appropriate risk management and internal control framework is in place.

Risk governance

Effective risk management is key to the long term success of the business and it requires an appropriate risk governance structure. The governance structure and processes should be appropriate to the size and complexity of the business, its culture and its risk appetite and tolerance.

Bonmarché's risk governance framework is based on its organisational structure, to make use of established lines of accountability.

The Board has overall responsibility for seeing that risk is appropriately managed across the Group. It has delegated specific duties in relation to risk management and internal control to the Audit Committee. The Audit Committee periodically reviews the adequacy and effectiveness of the risk management framework to provide independent review and challenge. Further information is included in the Audit Committee Report on page 43. The principal risks and the approach to risk management are described on pages 24 to 26.

The Risk Register is an important feature of the risk framework, as it documents the identification, assessment and treatment of risks, and any mitigations requiring action. There is an update on risk matters at every Board meeting via the Finance Director's report. During the year, the Audit Committee reviewed the effectiveness of the risk management and internal control systems. The Board is satisfied that there is a process for identifying, evaluating and managing risks faced by the Company.

Other control frameworks in place include:

- authorisation limits and clear reporting lines;
- a finance function with suitably qualified and experienced professionals; and
- a comprehensive monthly financial reporting system.

Assurance is gained over store-level risk management through the work of a loss prevention team, which takes a risk-based approach to reviewing the operation of controls and the prevention and detection of fraud. The risk management and internal control systems were in place throughout the year and up to the date of approval of the FY18 Annual Report.

Principal risks and uncertainties

The Directors have identified the principal risks and uncertainties facing the Group, management of which is considered key to the successful implementation of strategy and long term growth. Those principal risks, and how we mitigate them, are described on pages 24 to 26.

Financial and business reporting

The Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects in all half-year, full-year and any other price-sensitive reports and other information published externally. The Board receives a number of reports, including those from the Audit Committee, to enable it to monitor and clearly understand the Group's financial position. Having requested, and received, advice from the Audit Committee, the Board believes that the FY18 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Anti-fraud, bribery and corruption

The Company aims to promote honest and ethical conduct, as set out in our Corporate Social Responsibility report on pages 28 to 31. To support this, it has in place an anti-bribery policy which is designed to ensure compliance with the Bribery Act 2010. The policy has been reissued to all employees on a mandatory read basis during FY18.

Whistleblowing

The Company has a written policy and formal procedures designed to ensure that colleagues can confidentially raise concerns about possible improprieties. This includes guidance on raising the concerns internally and provides external, independent whistleblowing advice from the charity Public Concern at Work. The Audit Committee regularly reviews the Company's whistleblowing policy and procedures, and any instances of whistleblowing, as part of its standing agenda. The policy was reissued to all employees on a mandatory read basis during FY18.

Controlling shareholder

The Group is controlled by BM Holdings S.à r.l., which owns 52.4% of the Company's issued share capital. BM Holdings S.à r.l.'s ultimate Parent Company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.

Under the UK Listing Rules, companies with a shareholder or shareholders who could, when acting in concert, exercise 30% or more of the voting rights of a company at a general meeting are required to enter into a binding agreement with that shareholder or shareholders. This is intended to ensure that the parties to the agreement comply with certain independence provisions as set out in the Listing Rules.

On 15 November 2013, prior to admission of the Company to AIM, it entered into a Relationship Agreement (as amended and restated on 18 September 2015) with BM Holdings S.à r.l., Investec Bank plc and Sun Capital Partners Management V, LLC. The Relationship Agreement is designed to ensure that the Group is capable of carrying on its business independently of its Parent Company, and that transactions and relationships between the Group and the Parent Company's Group are conducted on an arm's length commercial basis such that the Company continues to satisfy the appropriate criteria for trading as a Premium-Listed company.

The Relationship Agreement also regulates the provision of any consulting services by Sun Capital Partners Management V, LLC to the Company.

The views of the major shareholder are represented on the Board through its entitlement to nominate a Director, for so long as it holds over 15% of the Company's issued share capital, and, for so long as it controls more than 30% of voting rights, the Chairman of the Board. The major shareholder is also entitled to nominate an Observer to attend all Board meetings. BM Holdings S.à r.l. has presently waived its right to nominate the Chairman. Sergei Spiridonov acts as BM Holdings S.à r.l.'s representative and Tim Stubbs is appointed as Board Observer.

In accordance with Listing Rule 9.8.4(14), the Board confirms that for the 52 weeks ended 31 March 2018:

- (i) the Company has complied with the independence provisions included in the Relationship Agreement; and
- (ii) so far as the Company is aware, the independence provisions contained in the Relationship Agreement have been complied with by the other parties to the Relationship Agreement and their associates.

Other shareholders

The Group attaches great importance to communication with shareholders and maintains an active dialogue with the investment community through a planned programme of investor relations activities. The Chief Executive and the Finance Director provide formal presentations at the time of announcing the Group's full-year and interim results and meet institutional investors and analysts at other times.

Investor relations activity is reported to the Board as part of the regular update provided by the Finance Director at each Board meeting.

The preliminary results, the interim results and the Annual Report are the primary means of communication during the year with all of the Company's shareholders. They are available on the Company's corporate website, www.bonmarcheplc.co.uk, which also contains the latest announcements, press releases, published financial information and other information about the Company.

The Annual General Meeting ('AGM') affords the opportunity for shareholders to meet the Directors personally and to ask questions about the Group and its business. This year's AGM will be held on 26 July 2018 at the Company's headquarters at Jubilee Way, Grange Moor, Wakefield WF4 4SJ. The Notice of AGM is available on the Company's website at www.bonmarcheplc.co.uk and will be sent out to shareholders at least 20 working days before the meeting. The result of the proxy votes submitted by shareholders in respect of each resolution is made available on the Company's website or can be provided upon request to the Company Secretary.

NOMINATION COMMITTEE REPORT



John Coleman
Non-executive Chairman

Dear shareholder

I am pleased to present the report of the Nomination Committee for the 52 week period ended 31 March 2018.

The main purpose of the Nomination Committee is to monitor the balance of skills, knowledge, experience and diversity on the Board and make recommendations for change as appropriate to the Board.

In order to fulfil its role, the Committee:

- regularly reviews the structure, size and composition of the Board and its Committees taking into account diversity considerations and, where appropriate, makes recommendations to the Board with regard to any changes to its composition to ensure it remains appropriately refreshed;
- when required, identifies and nominates to the Board candidates for appointment as Directors of the Board;
- ensures new Directors are provided with appropriate induction training;
- assesses the skill and attributes needed by the Board and its Committees to operate effectively and discharge their responsibilities; and
- annually reviews and considers the performance and effectiveness of the Committee through the results of the Board and Committee performance evaluation process.

The Committee has formal Terms of Reference which are reviewed annually and available on the Company's website: www.bonmarcheplc.co.uk.

The Committee met on two occasions during FY18.

Committee membership

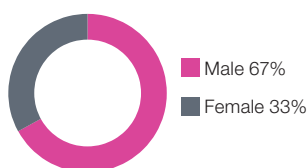
- John Coleman – Chairman
- Ishbel Macpherson
- Mark McClennon

Diversity

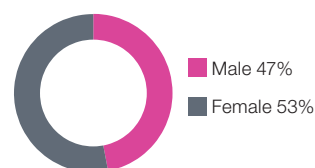
The Board recognises the value of diversity in the boardroom and evaluates the balance of skills, knowledge, experience and diversity on the Board before any appointments are made. The Nomination Committee considers candidates on merit and against objective criteria with due regard to the benefits of diversity, including gender. All vacancies are filled taking into account these wider factors and not based to a disproportionate extent on any one particular factor.

There are currently two female members of the Board, representing 33% of the overall membership.

PLC Board



Senior managers



Activities during the year

The Committee completed a review of the outputs of the Board and Committee evaluation processes which identified that succession planning should remain a key area of focus for the Committee in the coming year and beyond. Due consideration should be given to succession planning requirements for both Directors and senior management, taking into account the challenges and opportunities facing the business and the skills and expertise needed on the Board in the future.

During the year the Committee focused on increasing contact between senior management and the Non-executive Directors which resulted in the introduction of regular presentations to the Board by the Trading Board Directors to provide updates on relevant areas of the business.

The Committee has also been kept informed of other senior management appointments during 2017/18, namely Stuart Merrilees as Technology and Change Director and Simon Calvert as Trade Director.

Terms of Reference were reviewed and the Programme of Business was approved for the coming year.

The Committee reviews the contribution made by the individual Directors prior to recommending their re-election to the Board and, as such, all six members of the Board will be seeking re-appointment by the shareholders at the 2018 AGM.

John Coleman
Chairman of the Nomination Committee
19 June 2018

AUDIT COMMITTEE REPORT



Ishbel Macpherson
Chairman of the Audit Committee

Dear shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report for the 52 weeks ended 31 March 2018.

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role is to assist the Board in fulfilling its oversight responsibilities by monitoring the integrity of the financial statements (including annual and interim accounts and results announcements) before publication, and reviewing significant financial reporting judgements contained in them. However, the ultimate responsibility for reviewing and approving the Annual Report and financial statements remains with the Board.

The Committee is also responsible for the review of internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of any non-audit services undertaken by the external auditor and advising on the appointment and setting the fees of the external auditor. A list of the key actions and activities considered during the year and the information reviewed by the Committee is included in the report below.

During the year, the Committee has focused on the integrity of the Group's accounting and financial reporting processes. The Group is in the process of implementing a new ERP system and we have worked with management and the Board with a view to ensuring that the business maintains a robust control framework throughout the implementation. I am pleased to report that the Audit Committee is satisfied that the control systems are adequate and are operating effectively.

The Committee has considered the new standards or amendments to standards that are effective for the first time for the 52 week period ended 31 March 2018, and further information in connection with this is included below and in the notes to the financial statements.

Meetings of the Committee have also been attended by the Executive Directors, the non-independent Non-executive Director and the auditor by invitation.

The Board is satisfied that the Committee members are sufficiently competent in financial matters and in relation to the sector in which Bonmarché operates; biographical details of all the Directors are set out on pages 34 and 35.

As Chairman of the Committee, I have recent and relevant financial experience, in particular due to my background in investment banking and the experience I have gained through being a member, or chairman, of audit committees of other listed companies. I report the Committee's deliberations at the following Board meeting and the minutes of each meeting are made available to all members of the Board.

During 2019, the Committee will continue to provide oversight on the developing risk management systems.

The adoption of IFRS 16 for the FY20 financial year is expected to have a significant impact on the Group's reporting. During FY19, the Committee will support management in its work to put in place the systems and processes necessary to deal with the requirements of IFRS 16, and challenge the outputs to satisfy itself of their appropriateness and robustness.

A handwritten signature in black ink, appearing to read 'Ishbel Macpherson', with a long horizontal line extending to the right.

Ishbel Macpherson
Chairman of the Audit Committee
19 June 2018

Members of the Audit Committee

The Committee met on three occasions during the year.

Committee membership

- Ishbel Macpherson (Chairman)
- John Coleman
- Mark McClennon

Duties

The main duties of the Audit Committee are set out in its Terms of Reference, which are reviewed annually and available on the Company's website (www.bonmarcheplc.co.uk). The Committee provides oversight of financial reporting, the external audit and internal controls, reviews the Group's accounting policies and disclosure practices and monitors the effectiveness of risk management systems as well as the need for an Internal Audit function. The Committee reviews the Terms of Reference and the Committee Programme of Business annually.

AUDIT COMMITTEE REPORT CONTINUED

Principal activities during the year

The main items of business considered by the Audit Committee are detailed below:

Financial reporting

- review of the financial statements of the Group, including its preliminary and interim reports;
- review of the content of, and advise the Board on, whether, taken as a whole, the Annual Report is fair, balanced and understandable. The recommendations of management and the report from the external auditor were considered when making this determination;
- consideration of accounting policies and whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements and challenged in relation to these matters where necessary; and
- considered information provided by the Finance Director, the views of the external auditor, the going concern assumption and viability statement, dividend capacity and all material information presented with the financial statements.

Risk management and internal control

- review of the risk register and risk management process consideration of the effectiveness of the Group's internal control systems (including financial, operational and compliance controls and risk management) and reviewed and approved the statements to be included in the Annual Report concerning internal controls and risk management;
- together with the Board, regular consideration of the programme to implement the new ERP solution across the Group;
- review of the Group's arrangements for its employees to raise concerns in confidence about possible improprieties in financial reporting or other matters, the Group's procedures for detecting fraud, and the Group's anti-bribery procedures. The whistleblowing policy was reviewed and recirculated to all employees during FY18. No areas of non-compliance were reported to the Committee during the year;
- reviewed the need for an internal audit function;
- review of the gifts and hospitality register;
- received presentations in relation to the Modern Slavery Act and data and cyber security;
- received regular updates on GDPR preparation and compliance; and
- reviewed the outcome of the evaluation of the Committee's performance.

External auditor

- consideration of the reappointment and remuneration of the Company's external auditor and subsequent recommendation to the Board;
- review of the relationship with the external auditor and its terms of engagement. Assessed its independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- review and approval of the annual external audit plan, reviewed the findings of the audit with the external auditor and considered the management representation letter;
- the Committee met with the external auditor without any Executive Director or other member of management present, to discuss any issues arising from the audit; and
- evaluated the performance of the auditor.

Significant accounting issues

In relation to the Code provision C.3.8, the Audit Committee must report significant issues in relation to financial statements and consider the appropriateness of assumptions in respect of key accounting judgements.

The key accounting judgements considered related to inventory provisions and impairment of assets. Information in relation to these matters is included in the critical accounting estimates and assumptions section of the audited financial statements on page 82.

The Audit Committee, following a review of information provided by management and the conclusions of the external auditor, has satisfied itself as to the reasonableness and consistency of the assumptions made by management in relation to these items. There were no other significant issues relating to the financial statements on which the Committee must report.

Fair, balanced and understandable

In accordance with UK Code provision C.3.4 and its Terms of Reference, the Audit Committee has considered, at the request of the Board, whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance.

Having reviewed the final draft of the Annual Report, the Committee advised the Board that, in its view, the 2018 Annual Report is fair, balanced and understandable.

Viability Statement

The Code and the Listing Rules require listed companies to include in their annual report and accounts a viability statement.

The Committee reviewed and discussed reports from management and concluded that the financial statements can be prepared on a going concern basis and that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over at least the next three years. As part of that review, the Directors carried out an assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The assessment of the Group's prospects, together with the Group's Viability Statement, is set out in the Strategic Report on page 27.

Role of the external auditor

The Committee monitors the relationship with the external auditor, PricewaterhouseCoopers LLP ('PwC'), to ensure that auditor independence and objectivity is maintained.

The Committee reviews and agrees the engagement letter from PwC and assures itself of the firm's independence and objectivity.

In accordance with the practice recommended by the Auditing Practices Board, PwC audit partners serve a maximum of five years on listed clients. PwC has been the Group's external auditor since 2012. Arif Ahmad retired by rotation following the completion of the reporting process for FY17. Randal Casson of PwC was then appointed audit partner and has assumed responsibility for the audit of the FY18 results.

The Committee annually assesses the auditor's performance prior to any decision to reappoint and considers the performance, quality and value provided by the external auditor. The Committee also reviews and sets the auditor's remuneration.

Having reviewed the auditor's independence and performance, the Committee remains satisfied with the level of independence, objectivity, expertise, fees and resources and general effectiveness of PwC and recommends that they are reappointed as the Company's auditor at the forthcoming AGM.

Provision of non-audit services by the external auditor

As part of its review, the Committee monitors the provision of non-audit services by the external auditor. The Audit Committee has established a policy that limits the payment for non-audit services to the auditor to a maximum of 50% of the audit fee in any one year, other than in circumstances where there is a compelling commercial or other reason to involve the auditor to a greater extent, and then only with the prior consent of the Audit Committee. The breakdown of fees between audit and non-audit services is provided in note 5b of the Group's financial statements. No non-audit services were provided during the year.

Audit process

The auditor prepares an audit plan for its review of the full-year financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following its review, the auditor presented its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year. The Committee reviewed the effectiveness of the external audit process. This review considered the audit planning process and approach, the audit process, auditor independence, audit team expertise, responsiveness and resourcing.

Internal audit

At present, the Group does not operate an internal audit function and in FY18 the Committee conducted a review of this area. The Committee considered and agreed that the internal audit activities and controls currently in place continued to be appropriate and, as such, there was no need at the current time for a permanent internal audit function to be in place. The Committee will keep the matter under review throughout the next financial year. Monitoring and control are achieved using a range of preventative and detective controls. Formal policies and procedures and a risk management framework are in place for key financial and operational activities. Management will continue to evaluate the need for additional assurance and, where necessary, will consider using an outsourced service provider to undertake additional ad-hoc assessments. Policies, procedures and controls will be monitored on an ongoing basis, and the need for an internal audit function will be reviewed on at least an annual basis.

Risk management and internal controls

As described on pages 24 to 26 of the Risks and Risk Management section and on page 40 of the Corporate Governance Report, the Group has established a framework of risk management and internal control systems, policies and procedures. The purpose of the framework is to identify, evaluate, mitigate and monitor principal risks to the achievement of the Group's objectives. The Audit Committee is responsible for reviewing the risk management and internal control framework with a view to ensuring that it operates effectively. It fulfils this duty by monitoring the risk management processes in place and the activities of the finance function through regular Board reports. The Board reviewed the corporate-level risk register once during FY18. Risk is included in the report to the Board from the Finance Director and several presentations were made during the year on the key risk areas for the business. Further information on the areas reviewed during the year is contained in the risk report on pages 24 to 26.

AUDIT COMMITTEE REPORT CONTINUED

Risk management and internal controls continued

Process for preparing consolidated accounts

The Group has established internal control and risk management systems in relation to the process for preparing consolidated financial statements. The Group structure is simple and all accounting functions take place in one location.

The main features of the Group's internal control system in relation to preparing the financial statements are summarised as follows:

- a robust preparation process for the consolidated financial results involving a number of review stages by individuals who are independent from those preparing the financial statements and consolidation;
- the Group's financial policies and procedures document includes a section on the financial reporting process;
- a rigorous process for determining amounts where management judgement and estimates are made, including review by the Finance Director and, when necessary, by the Audit Committee and the Board; and
- a review by the Audit Committee and the Board of the draft consolidated financial statements, including any reports and notes as provided by management when necessary on significant accounting issues, changes in accounting policies and other matters pertaining to the consolidated financial statements.

New standards, amendments and interpretations

The following new standards, or amendments to standards, are effective for the first time for the 52 week financial period to 31 March 2018 and do not have a material impact on the consolidated financial statements of the Group:

IAS 7 'Cash Flow Statements'. Narrow-scope amendments to IAS 7 in relation to the disclosure of net debt; and

IAS 12 'Income Taxes'. Amendment to clarify when a deferred tax asset should be recognised for unrealised losses.

Standards amendments that are applicable but that are not effective and have not been early adopted are as follows:

IFRS 16 'Leases' is effective for the 52 week period ending 28 March 2020 and will require a significant change in the accounting and reporting of leases for the Group. The standard will require lessees to recognise assets and liabilities for all leases, with the exception of low value leases or where the lease term is 12 months or less.

The Group is in the process of investing in a new lease management system to prepare for the adoption of the new standard and is currently assessing the impact of IFRS 16 on its existing lease portfolio of 325 property leases and other contracts.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for the 52 week period ending 30 March 2019. The main change for the Group is a simplification of hedge accounting rules. As a result, the impact of the change on the Group is minimal, and will result in no changes in disclosure.

IFRS 15 'Revenue from Contracts with Customers'. This is effective for the 52 week period ending 30 March 2019, and requires revenue generated from contracts with customers to reflect more accurately the economic reality. This standard will not have any impact on the Group's revenues, as all of the Group's revenue relates to the sale of products made directly to customers either in store or online; no contracts are in place for any revenue generated.

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

Whistleblowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing item on the Committee's agenda and updates are provided at each meeting. The Policy was reviewed and reissued to all employees during the year. No incidents were reported to the Committee during FY18.

STATEMENT FROM THE REMUNERATION COMMITTEE CHAIRMAN



Ishbel Macpherson
Chairman of the
Remuneration Committee

Dear shareholder,

I am pleased to present, on behalf of the Board, our Directors' Remuneration Report in respect of the 52 weeks ended 31 March 2018.

Our Directors' Remuneration Policy was approved at the 2016 AGM with almost 100% of votes cast in favour of it, and we were pleased to see a similar level of support for our Annual Report on Remuneration at the 2017 AGM. No changes are proposed to our Directors' Remuneration Policy, which will continue to apply for FY19, as described on page 55. Therefore, we have included in this Directors' Remuneration Report an extract from the Policy approved at the 2016 AGM, with the full Policy available in the FY16 Annual Report and Accounts at www.bonmarcheplc.co.uk.

The Remuneration Report will be presented for approval at the Annual General Meeting on 26 July 2018 by way of an advisory vote.

In line with the applicable legislation, we will seek approval for an updated Directors' Remuneration Policy at the AGM in 2019. During FY19 we will review the existing policy and consider its appropriateness going forward to ensure that it continues to effectively support the Group's strategy, taking into account developments both in the business and in best practice.

How we link executive remuneration to strategy

We continue to ensure that we incentivise and reward the right behaviours to support the overall strategy of the Group.

The following is an overview of how our policy on executive remuneration supports the strategic objectives of the Group:

- annual bonus payments are subject to the achievement of stretching profit before tax targets, which supports the focus on profitability and growth and therefore the long term success of the Group;
- above certain thresholds, a proportion of the annual bonus is deferred into shares which do not vest for three years to ensure that Directors consider the longer term impact of decisions made and the sustainability of the business, which aligned their interests with long term shareholders; and
- the LTIP awards are designed to encourage behaviours which facilitate the delivery of sustainable growth, whilst delivering value to stakeholders and promoting long term success. The earnings per share ('EPS') target aligns clearly to the Group's strategy to deliver earnings growth and the Total Shareholder Return ('TSR') measure relative to other retailers clearly aligns interests to shareholders and maintains a link to share price performance.

FY18 performance and variable pay outcome

The Group's performance in FY18 is summarised on page 12.

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. Overall, we are pleased with the progress this result represents in a clothing market that became more challenging as the year progressed.

Each Executive Director was eligible to earn a bonus of up to 100% of salary in respect of FY18, subject to the achievement of stretching PBT targets. Despite the growth in PBT, each Executive Director earned a bonus of approximately 20% of salary; this indicates the degree of challenge inherent in the bonus targets. Further information is given on page 50.

The Company's Long Term Incentive Plan ('LTIP') was approved by shareholders at the 2015 AGM and the first awards were granted in respect of FY16, with performance conditions based on EPS growth and relative TSR performance over the three-year period ending on 31 March 2018. Stephen Alltridge participated in that grant of awards. The threshold performance levels were not achieved and, accordingly, the award will not vest in September 2018.

STATEMENT FROM THE REMUNERATION COMMITTEE CHAIRMAN CONTINUED

At a glance summary: Executive Directors' remuneration

No changes are proposed to the Directors' Remuneration Policy approved at the 2016 AGM.	Based on the PBT performance delivered, each Executive Director earned a bonus of approximately 20% of salary; information is given on page 50.	The maximum bonus opportunity for FY19 will be equal to 100% of salary. Bonus is based on profit before tax targets.
Salaries/fees for FY18 will be considered in October 2018 at the same time as for the wider workforce. Any increase will be in line with the range of increases awarded to other employees.	The FY16 LTIP awards were subject to EPS and relative TSR performance conditions assessed over the three-year period ending 31 March 2018. The threshold performance levels were not achieved and, accordingly, the award will not vest.	Similar to the FY18 awards, the vesting of the FY19 LTIP awards will be subject to performance conditions based on EPS and relative TSR (see page 53).

Key matters considered by the Remuneration Committee

Key issues reviewed and discussed by the Remuneration Committee during the financial period included:

- approval of the FY17 Directors' Remuneration Report;
- salary reviews for the Executive Directors which resulted in an increase of 2% with effect from 1 October 2017, in line with the range of salary increases awarded to other employees in the Group;
- approval of the quantum and review of the performance metrics for the FY18 LTIP awards;
- approval of the quantum and performance metrics for the FY19 Executive Bonus Scheme;
- the remuneration arrangements for other senior executives;
- the Terms of Reference of the Committee and programme of business; and
- an update on remuneration trends.

Reward for FY19**Executive Directors' salaries and Non-executive Directors' fees**

In line with the salary review timetable for all other employees, the Executive Directors' base salaries and Non-executive Directors' fees will be reviewed during October 2018. Any increases are expected to be modest and in line with the range of salary increases awarded to other employees in the Group.

Annual bonus

Maximum bonus opportunity for FY19 has been set at 100% of salary, consistent with previous years, and is, again, subject to stretching profit before tax targets. The Committee considers that the profit before tax targets are commercially sensitive. However, the targets will be fully disclosed in next year's Directors' Remuneration Report.

LTIP

Although our Remuneration Policy permits us to grant awards at the level of up to 150% of salary, awards to date have been granted at the level of 50% of salary. The Committee has yet to determine the award quantum for FY19, and this will be confirmed when the awards are granted. Awards will continue to be subject to performance measures based on EPS and TSR.

I believe that our policy continues to reflect a disciplined approach to executive remuneration and I hope that you will support the resolution to be proposed at the AGM in relation to the Directors' Remuneration Report.



Ishbel Macpherson
Chairman of the
Remuneration Committee

19 June 2018

DIRECTORS' REMUNERATION REPORT

Annual Report on Remuneration

Single figure table – audited

The table below sets out single total figure remuneration received by each Director for the 52 weeks ended 31 March 2018 and the prior 52 week period.

Director	Position	Financial period	Salary and fees £'000	Benefits in kind £'000	Bonus £'000	LTIP vesting in period £'000	Pension contribution/ allowance £'000	Single total figure of remuneration £'000
Executive Directors								
Helen Connolly	Chief Executive ¹	FY18	303	17	61	n/a	53	434
		FY17	190	103	—	—	32	325
Stephen Alldridge	Finance Director	FY18	206	18	41	n/a	36	301
		FY17	204	14	—	—	35	253
Non-executive Directors								
John Coleman	Chairman	FY18	125	—	—	—	—	125
		FY17	125	—	—	—	—	125
Ishbel Macpherson	Non-executive Director	FY18	60	—	—	—	—	60
		FY17	60	—	—	—	—	60
Sergei Spiridonov	Non-executive Director ²	FY18	Note 2	—	—	—	—	—
		FY17	Note 2	—	—	—	—	—
Mark McClennon	Non-executive Director ³	FY18	47	—	—	—	—	47
		FY17	43	—	—	—	—	43
Total⁴		FY18	791	35	102	—	89	967
Total^{4,5}		FY17	672	117	—	—	88	806

- Helen Connolly was appointed as Chief Executive Officer with effect from 15 August 2016. In the above table the values in respect of her remuneration for FY17 reflect the portion of that period for which she held office.
- Sergei Spiridonov was appointed as a Non-executive Director on 8 April 2016. He received no payment from the Group in respect of FY17 or FY18, but fees of £50,000 in respect of each year were payable to Sun Capital Partners Management V, LLC for his services.
- Mark McClennon was appointed as a Non-executive Director on 8 April 2016.
- The total figures in the table take into account the payments to Sergei Spiridonov referred to in Note 2 above.
- The FY17 total figures are different to those reported in the FY17 Directors' Remuneration Report, reflecting that neither Beth Butterwick nor Michael Kalb served as a Director during FY18 and so are not included in the table.

The figures in the single figure table above are derived from the following:

Salary and fees	The amount of salary/fees received in the financial period.
Benefits	The taxable value of benefits received in the financial period. In the case of Helen Connolly for FY17, these include her 'Joining Awards', as described in the FY17 DRR and a one-off allowance of £25,000 in relation to living expenses which were in connection with her recruitment. Other benefits provided to Helen Connolly are principally a car benefit and private medical insurance. In the case of Stephen Alldridge, these benefits are principally a car benefit and private medical insurance.
Pension	The pension figure represents the Company's contributions to the Group personal pension plan and any cash payment in lieu of pension contributions made in the financial period.

Additional disclosures in respect of the single figure table – audited

Base salary

Details of annual base salaries for Executive Directors are set out below:

Executive Director	FY17 (effective from the date of appointment in the case of Helen Connolly and from 25 September 2016 in the case of Stephen Alldridge) £'000	FY18 (effective from 1 October 2017) £'000	% increase
Helen Connolly	300	306	2%
Stephen Alldridge	204	208	2%

The 2% increase awarded with effect from 1 October 2017 was in line with the range of salary increases awarded to other employees in the Group.

DIRECTORS' REMUNERATION REPORT CONTINUED

*Annual Report on Remuneration continued***Executive Bonus Scheme FY18 – audited**

The Executive Directors had a maximum bonus opportunity of 100% of average base salary earned during FY18. 100% of the bonus was assessed against profit before tax.

The following table sets out the performance targets that applied. Based on the PBT performance delivered, each Executive Director earned a bonus of 20% of salary.

Performance measure	Threshold performance (20% of salary)	Maximum performance (100% of salary)	Actual performance	% of maximum bonus payable
Profit before tax and exceptional items	£8m	£10m	£8m	20%

Scheme interests awarded in respect of the financial period – audited

The following LTIP awards were granted on 27 July 2017 in respect of FY18, equating to 50% of salary:

Executive Director	Type of award	Number of shares	Face value at grant £'000 ¹	% of award vesting at threshold	Performance period
Helen Connolly	LTIP	171,821	150,000	25%	3 years
Stephen Alldridge	LTIP	116,838	102,000	25%	3 years

1. Based on a share price of £0.873, being the average close price of the shares on the three dealing days immediately prior to the grant date.

LTIP awards are subject to the achievement of a combination of growth in earnings per share ('EPS') and Total Shareholder Return ('TSR') relative to members of the FTSE All Share General Retailers Index and of the FTSE AIM Retail Index excluding food and drink. Vesting of 75% of the award will be linked to EPS and 25% will be linked to TSR. The pay-out schedules for each element are set out below:

Performance level	EPS element (75% of total award) Compound annual EPS growth	TSR element (25% of total award) Ranking against Retail Index	% of that part of the award vesting
Below 'threshold'	Below 8% p.a.	Below median	0%
'Threshold'	8% p.a.	Median	25%
'Target'	12% or above	—	50% of the EPS element
'Stretch'	20% or above	Upper quartile	100%

Pro-rata vesting in between the above points.

Payments to past Directors and for loss of office – audited

The Company neither made any payments to past Directors nor made any payments to Directors for loss of office during the financial period.

Directors' share interests and share plan interests – audited**Shareholding guidelines**

The Remuneration Committee has adopted shareholding guidelines in accordance with which Executive Directors are required to build up and maintain a shareholding in the Company equivalent in value to 100% of annual base salary. Executive Directors will be required to retain half of any shares resulting from the exercise of LTIP or Deferred Bonus Plan awards after tax until the guidelines have been met. The following table summarises the extent to which this requirement is met by each Executive Director.

Executive Director	Shares counting towards the guideline	Value of shares ¹	Salary	Value of shares as a percentage of salary
Helen Connolly	26,042	£21,875	£303,000	7.2%
Stephen Alldridge	508,910	£427,484	£206,000	208%

1. Based on a share price of £0.84, being the closing share price on 31 March 2018.

Share interests

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 March 2018 were as set out below. There have been no changes to the interests as set out below between that date and 19 June 2018.

Director	Shares owned
Helen Connolly	26,042
Stephen Alldridge	508,910
John Coleman	—
Ishbel Macpherson	25,000
Sergei Spiridonov	—
Mark McClennon	—

Share plan interests

The interests of the Executive Directors in the Company's share plans as at 31 March 2018 were as set out below. There have been no changes to the interests as set out below between that date and 19 June 2018.

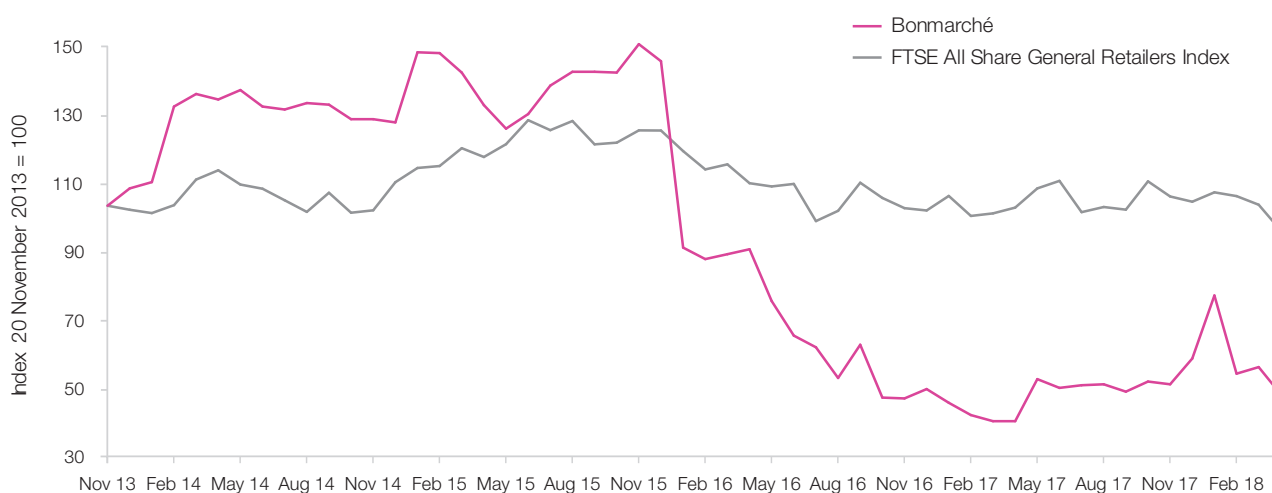
Director	Award	As at 2 April 2017	Granted during the year	Lapsed during the year	Exercised during the year	As at 31 March 2018	Status
Helen Connolly	FY18 LTIP	—	171,821	—	—	171,821	Unvested, subject to performance conditions
	FY17 LTIP ¹	173,611	—	—	—	173,611	Unvested, subject to performance conditions
	Joining Awards	80,418	—	—	49,227	31,191	Vested
Stephen Alldridge	FY18 LTIP	—	116,838	—	—	116,838	Unvested, subject to performance conditions
	FY17 LTIP ¹	118,055	—	—	—	118,055	Unvested, subject to performance conditions
	FY16 LTIP	34,013	—	—	—	34,013 ²	Unvested, subject to performance conditions

- In addition to the FY17 LTIP awards referred to above, each of Helen Connolly and Stephen Alldridge holds a tax-qualifying option over 34,722 shares with an exercise price of £0.864 per share. Those options are subject to the same performance conditions and vesting period as the FY17 LTIP awards. On the exercise of the tax-qualifying option, the extent to which the LTIP award is exercised shall be reduced to take account of the gain made on the exercise of the tax-qualifying option to ensure that the pre-tax value delivered to the participant is not increased by the grant of the tax-qualifying option.
- The performance criteria were not met in respect of the FY16 LTIP and the award will not vest.

The aggregate gain made by Directors on the exercise of share options during FY18 was £nil.

Performance graph and historical Chief Executive remuneration outcomes – unaudited

The graph below shows the Total Shareholder Return ('TSR') performance of the Company over the period from 20 November 2013 (the date of admission of the Company's shares to trading on AIM) to 31 March 2018 compared with the FTSE All Share General Retailers Index. This index was chosen because the Company is a member of it.



DIRECTORS' REMUNERATION REPORT CONTINUED

*Annual Report on Remuneration continued***Performance graph and historical Chief Executive remuneration outcomes – unaudited continued**

The table below shows the single total figure of remuneration for the Chief Executive and the bonus earned as a percentage of maximum opportunity. As the Company's shares were admitted to trading on AIM on 20 November 2013, five financial periods have been reported. No relevant 'single total figure' Long Term Incentive Plan component vested in respect of any of these financial periods.

	Total remuneration £'000	Bonus (as a % of maximum opportunity)	LTIP (as a % of maximum opportunity)
FY18	434	20.0%	n/a
FY17 – Helen Connolly ¹	325	Nil	n/a
FY17 – Beth Butterwick ¹	150	Nil	n/a
FY16	386	Nil	n/a
FY15	363	Nil	n/a
FY14	573	68.7%	n/a

1. In FY17, Beth Butterwick was Chief Executive from the start of the year until she stepped down on 12 August 2016. Helen Connolly was Chief Executive from 15 August 2016 and throughout the remainder of FY17. In the above table, the remuneration for Helen Connolly and Beth Butterwick is their remuneration for the period in which they were Chief Executive.

Percentage change in the remuneration of the Chief Executive – unaudited

The table below sets out the percentage change in base salary, value of taxable benefits and bonus for the Chief Executive compared with the average percentage change for all employees.

	Percentage change from FY17 to FY18		
	Salary	Taxable benefits	Annual bonus
Chief Executive ¹	1%	(20%)	n/a ²
Employees (average change)	3.5%	0%	n/a

1. In FY17, Beth Butterwick was Chief Executive from the start of the year until she stepped down on 12 August 2016. Helen Connolly was Chief Executive from 15 August 2016 until the end of FY17. For the purposes of the above table, the remuneration for FY17 is calculated on the basis that Helen Connolly was appointed for the full year. There is excluded from the taxable benefits number the value of the Joining Awards granted to Helen Connolly and a one-off allowance of £25,000 in relation to living expenses as each of these is related specifically to her recruitment, as described in the FY17 Directors' Remuneration Report. The reduction in Helen Connolly's taxable benefits is a result of receiving car allowance in place of a company car.

2. No bonus was earned by any Executive Director in respect of FY17. Accordingly, in the opinion of the Committee, the percentage increase between FY17 and FY18 is not a meaningful disclosure.

Relative importance of the expenditure on pay – unaudited

The table below shows the Group's total employee remuneration (including Directors) compared to the Group's financial performance and distributions to shareholders.

	FY18 £'m	FY17 £'m
Total employee costs	41.0	41.4
Distributions to shareholders	3.4	3.4
Underlying profit before tax ¹	8.0	6.3

1. Underlying profit before tax has been included as a measure because it is a key performance measure within the business.

Implementation of Directors' Remuneration Policy for FY19 – unaudited

Information on how the Company intends to implement the Directors' Remuneration Policy for FY19 is set out below.

Salary/fees

In line with the salary review timetable for all other employees, the Executive Directors' base salaries and Non-executive Directors' fees will be reviewed in October 2018. Any increase to any Executive Director's salary or any Non-executive Director's fee is expected to be modest and the percentage will be in line with the range of salary increases awarded to other employees in the Company.

Annual incentive plan

The maximum annual bonus opportunity for FY19 will remain at 100% of salary for each Executive Director. The bonus is subject to stretching profit before tax targets. The Committee considers that the profit before tax targets are commercially sensitive. However, the targets will be fully disclosed in next year's Directors' Remuneration Report on the same basis as the FY18 profit before tax targets are disclosed on page 50.

In accordance with the Company's Directors' Remuneration Policy, half of any bonus earned in excess of 50% of salary will be deferred in shares over a three-year period, subject to a minimum deferral of £10,000.

LTIP

Although our Remuneration Policy permits us to grant awards at the level of up to 150% of salary, awards to date have been granted at the level of 50% of salary. The Committee has yet to determine the award quantum for FY19, and this will be confirmed when the awards are granted. The performance conditions applying to the FY19 awards will be based on a combination of growth in EPS and TSR relative to members of the FTSE All Share General Retailers Index and of the FTSE AIM Retail Index excluding food and drink. Vesting of 75% of the award will be linked to EPS and 25% will be linked to TSR. The pay-out schedules for each element are set out below:

Performance level	EPS element (75% of total award) Compound annual EPS growth	TSR element (25% of total award) Ranking against Index	% of that part of the award vesting
Below 'threshold'	Below 8% p.a.	Below median	0%
'Threshold'	8% p.a.	Median	25%
'Target'	12% or above	—	50% of the EPS element
'Stretch'	20% or above	Upper quartile	100%

Pro-rata vesting in between the above points.

Service agreements and letters of appointment

Details of the Directors' service contracts and notice periods are set out below.

Name	Commencement	Notice period by Company/Director
Helen Connolly <i>Chief Executive</i>	15 August 2016	12 months
Stephen Alldridge <i>Finance Director</i>	3 March 2003	12 months

Non-executive Directors' letters of appointment

Name	Date of appointment	Date of letter of appointment	Expiry of current term
John Coleman <i>Chairman</i>	14 October 2013 (Chairman from 29 April 2015)	12 October 2016	11 October 2019
Ishbel Macpherson	14 October 2013	12 October 2016	11 October 2019
Mark McClenon	8 April 2016	8 April 2016	7 April 2019
Sergei Spiridonov	8 April 2016	8 April 2016	7 April 2019

Voting in relation to remuneration resolutions

At the Company's AGM held on 27 July 2017, the Annual Report on Remuneration for FY17 was approved by shareholders and at the AGM held on 28 July 2016 the Directors' Remuneration Policy was approved by shareholders. Details of the voting outcomes in relation to the resolutions are set out below.

Resolution	Votes for (including discretion)	Percentage for (including discretion)	Votes against	Percentage against	Total votes cast	Votes withheld
Approval of the Annual Report on Remuneration (2017 AGM)	38,989,915	99.99	4,887	0.01	38,994,802	—
Approval of the Directors' Remuneration Policy (2016 AGM)	38,851,170	99.99	2,149	0.01	38,853,319	1,405,165

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual Report on Remuneration continued

Consideration by the Directors of matters relating to Directors' remuneration – unaudited

Remuneration Committee membership

The Remuneration Committee is composed of the Company's independent Non-executive Directors (Ishbel Macpherson and Mark McClennon) and the Chairman of the Board (John Coleman). Ishbel Macpherson is the Chairman of the Committee.

John Coleman has continued to serve as a member of the Remuneration Committee following his appointment as Chairman of the Company on 29 April 2015. This is in light of the insight and experience that he adds as a member of the Remuneration Committee.

Membership of the Remuneration Committee during the financial period and attendance by individual Committee members at meetings is shown in the Corporate Governance Report on page 39. The Remuneration Committee met four times during the financial period and the key matters considered by the Committee are described in the letter from the Remuneration Committee Chairman on page 48.

The Chief Executive and the Finance Director attended meetings of the Remuneration Committee by invitation.

No Director was present when matters relating to their own remuneration were discussed.

Role of the Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference, which are available on the Company's website (www.bonmarcheplc.co.uk).

Advisers to the Remuneration Committee

Material advice or services were provided to the Remuneration Committee during the financial period by Deloitte LLP:

Adviser	Details of appointment	Remuneration consultant services provided to the Company in FY18	Fees paid by the Company for advice to the Remuneration Committee in FY18	Other services provided to the Company in FY18
Deloitte LLP	Current remuneration consultants to the Remuneration Committee. Appointed by the Remuneration Committee in January 2016 following a competitive tender process.	Advice regarding the Directors' Remuneration Report. General advice in relation to Executive Directors' remuneration.	£4,100	Share scheme advice. Accounting advice in respect of share-based payments.

The Remuneration Committee is satisfied that all advice received was objective and independent. Deloitte is a member of the Remuneration Consultants Group and as such voluntarily operates under its Code of Conduct in relation to executive remuneration in the UK.

The Remuneration Committee also receives advice and guidance on senior executive remuneration from the Chief Executive and the Finance Director.

Approval

This report was approved by the Board on 19 June 2018 and signed on its behalf by:



Ishbel Macpherson

Chairman of the Remuneration Committee

19 June 2018

Directors' remuneration policy

Our Directors' Remuneration Policy was approved by shareholders at the AGM held on 28 July 2016, and became effective from the conclusion of that meeting. As no revisions to the Policy have been made since that date, the Policy itself has not been resubmitted to each AGM; the Remuneration report for the year is submitted for approval at each AGM. We have, therefore, set out below those provisions of the Policy which we think shareholders will find of most interest, but with date-specific provisions updated. The full policy as approved by shareholders is set out on pages 49 to 58 of the Company's FY16 Annual Report and Accounts, which is available on the Company's website at www.bonmarcheplc.co.uk/investors. While sections of the remuneration report are subject to external audit, the policy itself is not audited.

Key principles

The Company's remuneration package for Executive Directors has been designed based on the following key principles:

- to promote the long term success of the Company, with transparent and stretching performance conditions, which are rigorously applied;
- to provide appropriate alignment between the Company's strategic goals, shareholder returns and executive reward; and
- to have a competitive mix of base salary and short and long term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Company's performance.

Policy table for Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	To recruit and reward Executive Directors of a suitable calibre for the role and duties required. Recognises individuals' experience, responsibility and performance.	Base salaries are usually reviewed annually. As part of the salary review process, the Remuneration Committee takes account of: <ul style="list-style-type: none"> • underlying Group performance; • the role, and the individual's experience and performance; • where there has been a change in market practice either in the retail sector or more widely; and • pay and conditions elsewhere in the Group. 	While there is no maximum salary, increases will normally be in line with the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. Salary increases above this level may be awarded to take account of individual circumstances, such as, but not limited to: <ul style="list-style-type: none"> • where an Executive Director has been promoted or has had a change in scope or responsibility; • an individual's development or performance in role (including, in accordance with the policy on recruitment remuneration, if a newly appointed Executive Director's salary is positioned below a market rate that it may be increased to a market rate over such period as the Committee considers appropriate); • where there is a need to realign an Executive Director's salary with the market; or • where there has been a change in the size and/or complexity of the business. Increases may be implemented over such time period as the Committee deems appropriate.	Although performance conditions do not apply, the Executive Director's individual performance and the scope of the role is taken into account when determining the level of any salary increase.

DIRECTORS' REMUNERATION REPORT CONTINUED

*Directors' remuneration policy continued***Policy table for Executive Directors continued**

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Benefits	To provide market competitive benefits and to ensure the well-being of Executive Directors.	Executive Directors receive benefits in line with market practice, and these include life insurance, private medical insurance, company car or car allowance and, where relevant, relocation expenses. Other benefits may be provided based on individual circumstances.	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.	Not applicable.
Pension	To provide Executives with a long term savings opportunity; the pension forms part of a competitive package to recruit and retain Executive Directors of a suitable calibre.	A contribution may be made to either the Group personal pension plan or an alternative defined contribution pension arrangement. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may be permitted to take an amount of the employer contribution as a non-pensionable, non-bonusable cash allowance which will ordinarily be reduced to take account of employer social security contributions due in respect of the allowance.	Employer contributions and/or a cash allowance of up to 20% of salary.	Not applicable.
Executive Bonus Scheme	To provide a performance-justified earnings opportunity and to focus attention on achievement of KPIs.	Awards are based on performance against key financial targets and/or the delivery of strategic/ individual objectives. Pay-out levels are determined by the Committee after the 52 week financial period end based on performance against those targets/objectives. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance. For up to two years following the payment of a bonus award, clawback provisions will apply such that the Committee may require the repayment of some or all of the award in the circumstances set out at the foot of this table.	The overall maximum annual bonus opportunity is 150% of salary.	Targets are set annually reflecting the Company's strategy and aligned with key financial, strategic and/or individual targets. At least 75% of the bonus is assessed against one or more key financial performance metrics. Financial metrics There is no minimum payment at threshold performance. Up to 50% of the ordinary maximum opportunity for this element of the bonus will be paid for on-target financial performance and 100% of the ordinary maximum opportunity will be paid for achieving stretch financial performance. Non-financial strategic or individual metrics Any element of the bonus subject to a non-financial metric will vest between 0% and 100% based on the Committee's assessment of the extent to which the metric has been met.

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Deferred Bonus Plan ('DBP')	Provides a retention element through share ownership and direct alignment with shareholders' interests.	<p>Executive Directors are required to defer half of any bonus award earned in excess of 50% of salary into shares, the vesting of which is deferred for three years, subject only to continued employment. The Committee may decide to pay the whole of the bonus earned in cash where the amount to be deferred would, in the opinion of the Committee, be so small as to make the operation of the DBP administratively burdensome; this de minimis threshold is currently set at £10,000. Deferred shares will typically take the form of nil-cost share options, but may be structured as an alternative form of share award.</p> <p>Executive Directors may also be offered the opportunity to defer voluntarily up to 100% of any bonus award earned into shares, the vesting of which is deferred for three years.</p> <p>Awards under the DBP may be granted on the basis that the number of shares shall be increased to reflect dividends paid over the vesting period, or the Committee may make a cash payment equal to those dividends on release of the shares. Any such payment may assume the reinvestment of dividends on such basis as the Committee determines.</p> <p>The vesting of the deferred shares is not subject to the satisfaction of any performance conditions. However, the Committee has the right to apply malus provisions to reduce, cancel or impose further conditions on unvested or unexercised awards in the circumstances set out at the foot of this table.</p>	Ordinarily, half of any bonus earned in excess of 50% of salary is mandatorily deferred, subject to the discretion of the Committee as referred to in the 'Operation' column. At the discretion of the Committee, up to 100% of any bonus earned may be deferred at the request of the participant.	Not applicable. Deferred shares are not subject to any additional performance metrics after the application of the performance metrics which determine the amount of bonus earned under the Executive Bonus Scheme.

DIRECTORS' REMUNERATION REPORT CONTINUED

*Directors' remuneration policy continued***Policy table for Executive Directors continued**

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan ('LTIP')	To incentivise Executive Directors to deliver longer term value to shareholders through the successful execution of the Group's strategy and to align their interests with those of shareholders through share ownership.	<p>Awards are granted in the form of nil-cost share options, conditional shares or other such form as has the same economic effect. Awards will be granted with vesting dependent on the achievement of performance conditions set by the Committee, which will normally be assessed at the end of a period of at least three years.</p> <p>Awards may be settled in cash (or granted as a right to a cash amount) at the election of the Committee.</p> <p>Awards under the LTIP may be granted on the basis that the number of shares shall be increased to reflect dividends paid over the period to release, or the Committee may make a cash payment equal to those dividends on release of the shares. Any such payment may assume the reinvestment of dividends on such basis as the Committee determines.</p> <p>The Committee may at its discretion structure awards as Qualifying LTIP awards comprising both an HMRC tax-qualifying option and an LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the tax-qualifying option.</p> <p>The Committee has the right to apply malus provisions to reduce, cancel or impose further conditions on unvested awards in the circumstances set out at the foot of this table.</p> <p>For up to two years following the vesting of an LTIP award, clawback provisions will apply such that the Committee may cancel an award which has not been exercised, or require the repayment of some or all of the award in the circumstances set out at the foot of this table.</p>	<p>The maximum award is 150% of salary in respect of a 52 week financial period.</p> <p>Where an award is structured as a Qualifying LTIP award, the shares subject to the tax-qualifying option part of the award are not taken into account for the purposes of this limit, reflecting the 'scale back' referred to in the 'Operation' column.</p>	<p>Performance measures are selected that reflect underlying business performance.</p> <p>Performance metrics and their weighting where there is more than one metric are reviewed annually to maintain appropriateness and relevance.</p> <p>Awards will vest between 25% and 100% of the maximum opportunity for performance between 'threshold' performance (the minimum level of performance that results in any level of vesting) and 'maximum' performance.</p>

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
All-employee share plans	To encourage all employees to become shareholders and to link their interests to those of the wider shareholder group.	<p>Executive Directors are entitled to participate in a tax-qualifying all-employee Save As You Earn ('SAYE') plan under which they may make monthly savings contributions over a period of three or five years linked to the grant of an option over the Company's shares. The option price can be set at a discount as permitted in accordance with the applicable legislation (currently up to 20% of the market value of shares at grant).</p> <p>Executive Directors are also entitled to participate in a tax-qualifying all-employee Share Incentive Plan ('SIP').</p>	Participation limits are those set by the tax authorities from time to time.	Not applicable.

Circumstances in which malus and/or clawback may apply

- If the LTIP or Executive Bonus Scheme award has been granted or vested on the basis of any incorrect information relevant to the applicable performance conditions including a material misstatement in the Group's results.
- Misconduct on the part of the participant.

Malus and clawback may be applied in respect of any tax-qualifying option part of a Qualifying LTIP award to the extent permitted in accordance with the applicable legislation and HMRC practice.

Non-executive Directors

Purpose and link to strategy	Approach of the Company
To attract and retain high calibre Chairman and Non-executive Directors by offering a market competitive fee level.	<p>The Chairman and Non-executive Directors are entitled to an annual fee. Supplementary fees may be paid for the chairmanship of Board Committees or holding the office of Senior Independent Director.</p> <p>The Chairman and Non-executive Directors are entitled to reimbursement of travel and other reasonable expenses incurred in the performance of their duties.</p> <p>The level of fees will be reviewed annually by the Board. Fees are based on the level of fees paid to Non-executive Directors serving on boards of similar sized UK listed companies and the time commitment and contribution expected for the role. Typically, any fee increase will be in line with the increase in wider workforce salaries (in percentage terms). Fee increases may be awarded above this level in certain circumstances such as (but not limited to):</p> <ul style="list-style-type: none"> • where there is a need to realign a Non-executive Director's fee with the market; • where there has been a change in the size and complexity of the Company; or • where there has been an increase in the Non-executive Director's time commitment to the role. <p>Overall fees paid to Non-executive Directors will remain within the limits set by the Company's Articles of Association.</p> <p>Non-executive Directors cannot participate in any of the Company's share schemes or the Executive Bonus Scheme.</p>

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' remuneration policy continued

Explanation of performance measures chosen

Performance measures are selected that are aligned with the performance of the Group and the interests of shareholders. Stretching performance targets are set each year for the bonus and LTIP awards. When setting these performance targets, the Committee will take into account a number of different reference points, which may include the Company's business plans and strategy and the economic environment. Full vesting will only occur for what the Committee considers to be stretching performance.

The bonus may be based on a mix of financial and strategic/individual targets. The measures are based on the financial, operational and strategic priorities of the business and may vary year on year to reflect the strategic direction of the business. For FY17, 100% of the bonus award will be based on underlying profit before tax, a critical financial KPI.

Long term performance measures provide a robust and transparent basis on which to measure the Company's performance over the longer term and provide further alignment with the business strategy. LTIP awards granted in FY17 will be based on earnings per share and relative TSR. EPS is another critical financial KPI for the business, supporting our focus on profitability and growth. Relative TSR provides a comparison of our growth profile against peers across the retail industry.

The Committee retains the ability to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the LTIP and the DBP.

DIRECTORS' REPORT

Introduction

The Directors present their Annual Report and the audited consolidated financial statements of Bonmarché Holdings plc (the 'Company'), together with its subsidiary undertakings (the 'Group'), for the period ending 31 March 2018.

The disclosure requirements of the Companies Act 2006 and the Listing Rules and the UKLA Disclosure and Transparency Rules have been met by the contents of this Directors' Report, along with the Strategic Report and the Directors' Remuneration Report, which should therefore be read in conjunction with this report.

The Company

Bonmarché Holdings plc is a company incorporated and domiciled in the UK, with the registered company number 08638336. The registered office address is Jubilee Way, Grange Moor, Wakefield WF4 4SJ. Until 18 October 2015 the Company was listed on AIM of the London Stock Exchange. On 19 October 2015 the Company's shares were admitted to the Official List of the Main Market of the London Stock Exchange.

The immediate Parent Company of Bonmarché Holdings plc is BM Holdings S.à r.l., and the ultimate Parent Company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc. Details of the Company's subsidiaries are listed on page 90.

Articles of Association

Amendments to the Articles of Association of the Company may be made by special resolution of the shareholders.

Share capital

Details of the share capital of the Company are shown in note 24 of the financial statements. The Company's share capital consists of one class of ordinary shares. As at 1 April 2018 there were 50,018,150 ordinary shares of 1 pence each in issue.

The Company operates an Employee Benefit Trust ('EBT') which owns shares in order to satisfy the Group's share incentive plans.

The EBT allocated 49,227 shares during the year to Helen Connolly under the Company Share Option Plan at an average price of £0.85, which amounted to 0.1% of the issued ordinary shares of the Company. Further details of the shares held by the EBT can be found in note 26 of the financial statements.

Other than the general provisions of the Articles (and prevailing legislation) there are no specific restrictions on the size of a holding or on the transfer of the ordinary shares. The rights and obligations attached to the shares are set out in the Company's Articles of Association which are available on our website.

The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights, other than those within the agreements of the Restricted Share Plan (the 'Agreements') whereby employees holding shares under the Agreements are unable to transfer, sell, assign or pledge unvested shares. The Agreements also place a restriction in relation to certain vested shares. No shareholder holds securities carrying any special rights or control over the Company's share capital, the only exception to this being the Trustees of the Bonmarché EBT, who hold 1,366,617 shares and have waived their rights to dividends and, in accordance with the Trust Deed, abstain from voting at general meetings.

Authority to issue new shares and purchase shares

At the AGM held on 27 July 2017, the Board was granted authority to allot shares in the Company of up to one-third of the Company's issued share capital. At 19 June 2018, the Company had an unexpired authority to allot up to 16,672,700 shares with a nominal value of £166,727, with such authority due to expire at the 2018 AGM, at which shareholders will be asked to renew this authority for a further year.

The Board also has an unexpired authority, granted at the 2017 AGM, to purchase in the market up to 10% of the Company's issued ordinary share capital. This authority is renewable annually and, at the 2018 AGM, the Board will propose a resolution to renew it. The Directors will only use this authority if they consider it is in the best interests of the Company to do so.

No shares were purchased by the Company during the year.

Substantial shareholdings

As at 31 March 2018, and up to the latest practicable date prior to the publication of this report, the Company had been notified of the following shareholders each holding more than 3% of the issued share capital in the Company:

	Percentage of issued share capital
BM Holdings S.à r.l.	52.41
Artemis Investment Management	10.32
Stadium Capital Management	10.04
Cavendish Asset Management	4.81

DIRECTORS' REPORT CONTINUED

Change of control: significant agreements

There are no agreements that the Group considers significant and to which it or its subsidiaries are a party that would take effect, alter or terminate upon change of control of the Group, with the exception of the Group's banking facility agreement which, upon a change of control of the Group, is terminable at the bank's discretion.

The Company does not have any agreements with Directors or employees which provide for compensation for loss of office resulting from a change of control, other than where such compensation would be payable due to the normal operation of the contract of employment.

Directors

The Directors who held office throughout the period and up to the date of signing the financial statements were:

Executive

Helen Connolly

Stephen Alldridge

Non-executive

John Coleman

Ishbel Macpherson

Mark McClennon

Sergei Spiridonov

Biographical details of each of the Directors seeking re-election at the AGM can be found on pages 34 and 35.

Directors' interests

Information about the Directors' interests in the shares of the Company can be found in the Directors' Remuneration Report on page 51.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. The Group has purchased, and maintained throughout the financial period, directors' and officers' liability insurance in respect of itself and its Directors.

Election and reappointment of Directors

In accordance with provision B.7.1 of the UK Corporate Governance Code, the Board has decided that John Coleman, Helen Connolly, Stephen Alldridge, Ishbel Macpherson, Mark McClennon, and Sergei Spiridonov will each submit themselves for re-election at the AGM.

Powers of Directors

Subject to the Articles of Association, the Companies Act 2006 and any direction given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all of the powers of the Company whether relating to the management of the business or not.

Employee involvement

The Group's policy is actively to involve its employees in the business and to ensure that matters of concern to them, including the Group's aims and objectives and the financial and economic factors which impact thereon, are communicated in an open and regular manner. This is achieved principally through regular senior management meetings and briefings, both on a national and regional basis.

The Chief Executive held two employee 'town hall' meetings for head office and logistics employees. Further details are in the Corporate Social Responsibility report on pages 28 to 31.

The Directors are committed to delivering the highest standards of health and safety for employees and for others who may be affected by the Group's activities, in particular, customers.

The Group is committed to employing the right people, training them well, and coaching and promoting from within wherever appropriate. Well trained and motivated people are key to the Group's customer-oriented and profit-driven culture, and are fundamental to the long term success of the business.

Disabled employees

The Group's policy is to give equal consideration to all applicants for employment and promotion, including disabled people. Career development and training are available to all employees and those who become disabled are afforded assistance to enable them to continue in their career, including retraining where necessary.

Annual General Meetings and dividends

The Annual General Meeting ('AGM') will be held on 26 July 2018 at the Company's headquarters at Jubilee Way, Grange Moor, Wakefield, West Yorkshire WF4 4SJ.

The Directors have recommended a final dividend for 2018 of 5.25 pence per share (FY17: 4.64 pence per share) which, subject to shareholder approval at the AGM, will be payable on 3 August 2018 to shareholders on the register on 29 June 2018. The proposed final dividend, together with the interim dividend of 2.50 pence per share (FY17: 2.50 pence per share), results in a total dividend for FY18 of 7.75 pence per share (FY17: 7.14 pence per share). In line with the requirements of IAS 10 'Events after the Reporting Period', this dividend has not been recognised as a liability in the financial statements.

There is a waiver in place in respect of all or any future rights to dividend payments on shares held in the Bonmarché EBT (1,366,617 shares as at 31 March 2018).

Ordinary shareholders are entitled to receive notice of and to attend and speak at general meetings. Each shareholder present in person or by proxy (or by duly authorised corporate representatives) shall, on a show of hands, have one vote. On a poll, each shareholder present in person or by proxy shall have one vote for each share held.

External auditor

PricewaterhouseCoopers LLP has issued its independent report on these financial statements to the shareholders of Bonmarché Holdings plc. This report can be found on page 65.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he or she ought to have taken in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Reappointment

The auditor, PricewaterhouseCoopers LLP, has indicated its willingness to continue in office and a resolution that the firm be reappointed will be proposed at the AGM.

Financial risk management

Financial risk management objectives and policies, including information on financial risks that could materially impact the Group, can be found in note 2 of the financial statements. The policy for hedging forward foreign currency payments can be found within the 'Derivative financial instruments and hedging activities' section of note 1 of the financial statements.

Other information

Political donations

The Group has made no political donations during the year and no political contributions were made to any non-EU political party.

Overseas branches

The Company has no overseas branches.

Events after the year end

There were no material events to report between 31 March 2018 and the date of signing the financial statements.

The Board confirms that in its opinion the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Strategic Report, the Directors' Report and the Directors' Remuneration Report were approved by the Board.

On behalf of the Board



Caroline Farbridge
Company Secretary
19 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial 52 week period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report, confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.



Helen Connolly
Chief Executive



Stephen Alldridge
Finance Director

19 June 2018

INDEPENDENT AUDITOR'S REPORT

to the members of Bonmarché Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion, Bonmarché Holdings plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's profit and the group's cash flows for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 March 2018; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We have provided no non-audit services to the Group or the Company in the period from 1 April 2017 to 31 March 2018.

Our audit approach

Overview



- Overall Group materiality: £400,000 (2017: £313,000), based on 5% of profit before tax.
- Overall Company materiality: £395,000 (2017: £297,000), based on 5% of profit before tax.
- The Group engagement team performed a full scope audit of all companies within the Group.
- The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.
- Fixed asset impairment assessment (Group).
- Inventory provisioning (Group).

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Bonmarché Holdings plc

Report on the audit of the financial statements continued

Our audit approach continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Fixed asset impairment assessment</p> <p>The Group has a large portfolio of stores around the UK. Given the challenging trading conditions in the UK high street retail market in recent years, the possibility of impairment of these assets and the related trading assets is an area of focus for management.</p> <p>We focused on this area because of the judgemental factors involved in testing for impairment and the significant carrying value of freehold property.</p> <p>Management considers each store to be a cash generating unit ("CGU") and has calculated the recoverable amount of each CGU based on value in use. In instances where the value in use is lower than the fixed assets held in that store, an impairment has been recognised.</p> <p>Value in use is based on discounted future cash flow forecasts, requiring management to make judgements on certain key inputs including, for example, discount rates and long term growth rates.</p> <p>Management has calculated that an impairment position of £404k is required at 31 March 2018.</p>	<p>We have obtained the Group's approved budget (upon which forecasts underlying the value in use calculations are based). Our audit procedures included an assessment of management's discounted cash flow models.</p> <p>We tested the mathematical accuracy of the calculations derived from the forecast model including the correct apportionment of centrally incurred costs to individual stores.</p> <p>We have assessed the key inputs in the calculations, such as the discount rate of 9% and growth assumptions. We focused on these key assumptions because small changes can have a material impact on the value in use assessment and any resultant impairment charge. We found, based on our audit work, that the key assumptions used by management were supportable and appropriate in light of the current environment.</p> <p>Based on the procedures performed we have concluded that the period-end position is appropriate.</p>

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
<p>Inventory provisioning</p> <p>Given the seasonal nature of the Group's trade there is a specific risk around the valuation of inventory that is out of season. In particular we focused on the carrying value of any remaining winter season inventory as a result of the trading caused by the milder winter. Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. The estimate of net realisable value is based on both historical experience and assumptions regarding future selling values and is consequently a source of uncertainty. The provision is determined based on the choice of an appropriate percentage in accordance with the ageing of inventory which is categorised by season.</p>	<p>We reperformed management's inventory provision calculations. Management's calculation is largely based on the ageing of the inventory and we tested the ageing, by agreeing to third-party evidence of goods received, to verify this reflects a reliable basis for the calculation. We found the ageing of the inventory provision to be appropriate based on the dates of goods received.</p> <p>We recalculated management's provision in line with the policy described in the financial statements and agreed that the policy is consistent with prior periods, albeit a larger number given the increase in winter season inventory this year.</p> <p>We performed additional procedures to check the completeness of the provision including testing of sales post period end for goods sold at a loss and held discussions with those responsible for stock who are not directly involved in the financial reporting process. We also tested the stock listing to check stock recoding was appropriate and that all of the winter stock had been included appropriately. No evidence that inventory provisions are incomplete or inappropriate was identified from our procedures.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Bonmarché Holdings plc operates in a competitive retail market. There are four legal entities consolidated within the group, being the listed top company which trades within the group but which does not trade directly to market, two holding companies which are active but do not trade and one trading entity. The Group's trade is split into retail sales from stores and online sales. While the Group operates a large number of retail stores, the accounting for transactions is centralised at head office and accounted for by a single finance team through the retail EPOS system. A full scope audit has been performed on all four legal entities in the Group by the Group engagement team.

Trading is located within the territory of the United Kingdom, thus mitigating exposure to foreign exchange fluctuations in revenue. All accounting functions are maintained within the head office of the Group.

In establishing the overall approach to our audit, we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Bonmarché Holdings plc

Report on the audit of the financial statements continued

Our audit approach continued

Materiality continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£400,000 (2017: £313,000).	£395,000 (2017: £297,000).
How we determined it	5% of profit before tax.	5% of profit before tax.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £395,000 and £400,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £20,000 (Group audit) (2017: £15,000) and £20,000 (Company audit) (2017: £15,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 ('CA06'), ISAs (UK) and the Listing Rules of the Financial Conduct Authority ('FCA') require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Report on the audit of the financial statements continued

Reporting on other information continued

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report (CA06).

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 40 and 41) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information (CA06).

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 37 to 41) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR (CA06).

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company (CA06).

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on pages 24 to 26 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 27 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit (Listing Rules).

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 44, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 43 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditor.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006 (CA06).

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Bonmarché Holdings plc

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities set out on page 64, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us;
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 31 January 2013 to audit the financial statements for the period ended 31 March 2013 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the periods ended 31 March 2013 to 31 March 2018.



Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

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	5a	8,102	5,950
Analysed as:			
Operating profit before exceptional items		8,102	6,457
Exceptional items	4	—	(507)
Finance income	7	53	33
Finance costs	7	(155)	(190)
Profit before taxation		8,000	5,793
Taxation	8	(1,629)	(1,339)
Profit for the period		6,371	4,454
Earnings per share (pence)			
Basic	10	13.1	9.2
Diluted	10	12.8	9.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 52 weeks ended 31 March 2018

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'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 AND COMPANY BALANCE SHEETS

as at 31 March 2018

	Note	Group		Company	
		As at 31 March 2018 £'000	As at 1 April 2017 £'000	As at 31 March 2018 £'000	As at 1 April 2017 £'000
Non-current assets					
Property, plant and equipment	12	17,132	17,042	—	—
Intangible assets	13	7,520	5,782	—	—
Investments in subsidiaries	14	—	—	66,069	66,069
Derivative financial instruments	21	153	—	—	—
Deferred tax asset	22	45	103	—	—
Total non-current assets		24,850	22,927	66,069	66,069
Current assets					
Inventories	15	23,857	25,087	—	—
Trade and other receivables	16	16,321	15,122	13,713	10,048
Cash and cash equivalents	17	5,267	6,946	—	—
Derivative financial instruments	21	—	6,704	—	—
Deferred tax asset	22	939	—	—	—
Total current assets		46,384	53,859	13,713	10,048
Total assets		71,234	76,786	79,782	76,117
Current liabilities					
Trade and other payables	18	(33,492)	(36,561)	(15,174)	(11,700)
Financial liabilities	20	(382)	(426)	—	—
Current taxation payable		(706)	(592)	(14)	(15)
Derivative financial instruments	21	(4,945)	—	—	—
Deferred tax liabilities	22	(56)	(1,329)	—	—
Total current liabilities		(39,581)	(38,908)	(15,188)	(11,715)
Non-current liabilities					
Other payables	19	(2,315)	(1,861)	—	—
Financial liabilities	20	(604)	(985)	—	—
Deferred tax liabilities	22	(172)	(200)	—	—
Total non-current liabilities		(3,091)	(3,046)	—	—
Total liabilities		(42,672)	(41,954)	(15,188)	(11,715)
Net assets		28,562	34,832	64,594	64,402
Equity					
Share capital	24	500	500	500	500
Share premium	25	1,496	1,496	1,496	1,496
EBT reserve	26	(1,265)	(1,307)	(1,265)	(1,307)
Cash flow hedge reserve		(3,882)	5,430	—	—
Retained earnings b/f		28,713	27,645	63,713	63,627
Profit for the period		6,371	4,454	3,521	3,472
Other changes in retained earnings		(3,371)	(3,386)	(3,371)	(3,386)
Retained earnings		31,713	28,713	63,863	63,713
Total equity		28,562	34,832	64,594	64,402

The financial statements of Bonmarché Holdings plc on pages 71 to 99 were approved by the Board of Directors on 19 June 2018 and were signed on its behalf by:



Helen Connolly
Chief Executive



Stephen Alldridge
Finance Director

Company registration number: 08638336

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	Cash flow 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	23	—	—	—	—	27	27
Purchase of own shares for EBT		—	—	(42)	—	—	(42)
Equity dividends paid	11	—	—	—	—	(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	23	—	—	—	—	130	130
Distribution of own shares from EBT		—	—	42	—	(42)	—
Equity dividends paid	11	—	—	—	—	(3,459)	(3,459)
Balance at 31 March 2018		500	1,496	(1,265)	(3,882)	31,713	28,562

COMPANY STATEMENT OF CHANGES IN EQUITY
for the 52 weeks ended 31 March 2018

Company	Note	Share capital £'000	Share premium £'000	EBT reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 27 March 2016		500	1,496	(1,265)	63,627	64,358
Profit for the period		—	—	—	3,472	3,472
Total comprehensive income for the period		—	—	—	3,472	3,472
Share-based payment reserves credit	23	—	—	—	27	27
Purchase of own shares for EBT		—	—	(42)	—	(42)
Equity dividends paid	11	—	—	—	(3,413)	(3,413)
Balance at 1 April 2017		500	1,496	(1,307)	63,713	64,402
Profit for the period		—	—	—	3,521	3,521
Total comprehensive income for the period		—	—	—	3,521	3,521
Share-based payment reserves credit	23	—	—	—	130	130
Distribution of own shares from EBT		—	—	42	(42)	—
Equity dividends paid	11	—	—	—	(3,459)	(3,459)
Balance at 31 March 2018		500	1,496	(1,265)	63,863	64,594

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 52 weeks ended 31 March 2018

	Note	Group	
		52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Cash flows from operating activities			
Cash generated from operations	27	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	11	(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

	Note	Group	
		52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'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	28	4,281	5,535

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 31 March 2018

1 Accounting policies

General information

Bonmarché Holdings plc (the 'Company') is a company incorporated and domiciled in England (company registration number 08638336). The Company is a public company limited by shares and listed on the London Stock Exchange. The address of the registered office is Jubilee Way, Grange Moor, Wakefield, West Yorkshire WF4 4SJ. The Company and its subsidiaries' (collectively, the 'Group') principal activity is as a multi-channel retailer of womenswear and accessories.

The immediate Parent Company of Bonmarché Holdings plc is BM Holdings S.à r.l. The ultimate parent undertaking and ultimate controlling party of Bonmarché Holdings plc is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc.

Basis of preparation

The Group and the Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and IFRS Interpretation Committee ('IFRS IC') interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements of the Group and the Company 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's accounting policies have been set by management, approved by the Audit Committee and consistently applied to all financial periods presented. The preparation of the 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 assessments of the amount, event or actions, actual results may differ from those estimates.

Bonmarché Holdings plc has not presented its own statement of comprehensive income and separate income statement as permitted by Section 408 of the Companies Act 2006. The financial statements of the Company do not include a statement of cash flows as the Company does not have any cash or cash equivalents. Transactions, including the payment of dividends, are settled on the Company's behalf by other Group undertakings.

The financial statements have been prepared on a going concern basis. In order to reach the conclusion that the Group will continue as a going concern and therefore that it is appropriate to prepare the financial statements on this basis, the Directors have evaluated the Group's current performance, position and other available information about the future of the Group for at least twelve months from the end of the reporting period.

The Group had a positive cash balance at the end of the financial period of £5.3m (2017: £6.9m) and unused revolving credit facilities of £10.0m (2017: £10.0m). The facility requires the Group to comply with a single financial covenant which the Group has done throughout the financial period and since the year end.

The financial statements are presented in thousands of Pounds Sterling ('£'000'), which is the functional and presentational currency of the Group, except when otherwise indicated.

Accounting reference date

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiary undertakings. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A list of all the subsidiary companies can be found in note 14 of the financial statements. All the Company's subsidiaries are 100% owned and controlled by the Company, and there are no restrictions on its ability to access or use assets or settle liabilities of those subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

*for the 52 weeks ended 31 March 2018***1 Accounting policies** continued**Basis of consolidation** continued

The results of subsidiaries acquired are included in the consolidated income statement from the date control passes. They are deconsolidated from the date that control ceases. The Bonmarché Employee Benefit Trust ('EBT') is accounted for and consolidated on the basis that the Parent Company has control. The assets, liabilities, income and expenses of the EBT are consolidated into the financial statements of the Company and the Group. Shares in the Company held by the EBT are included in the balance sheet at cost as a deduction from equity.

On consolidation, intercompany transactions, balances, income, expenses and unrealised gains on transactions between Group companies are eliminated.

Segmental reporting

IFRS 8 'Operating Segments' requires that operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The Board of Directors has been identified as the chief operating decision maker and consists of Executive Directors and Non-executive Directors.

Revenue**a) Retail**

The Group operates a chain of retail outlets for selling clothing and accessories. Sales of goods are recognised when a Group entity sells a product to a customer. Retail sales are usually for cash, or paid for by credit card.

It is the Group's policy to sell its products to the retail customer with a right to return within 28 days.

b) Internet

Revenue from the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory pass to customers, which is the point of payment. Transactions are settled by credit or payment card.

It is the Group's policy to sell its products to internet customers with a right to return within 28 days of receipt, in addition to any rights customers may have pursuant to the Consumer Contracts Regulations.

Accumulated experience is used to estimate and provide for the return of goods from retail and internet customers at the time of sale.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide clearer understanding of the underlying financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Finance income

Finance income comprises interest on funds invested. Income is recognised, as it accrues in profit or loss, using the effective interest rate method.

Finance costs

Finance costs are accounted for using the effective interest rate method.

Share-based payments

The Company has issued equity-settled share-based payments to certain employees, as part of an incentivisation programme.

The equity instruments are valued at fair value at the date of grant. The fair value is calculated using an appropriate option pricing model and is expensed on a straight line basis over each vesting period, with a corresponding increase to equity. The fair value is adjusted to reflect management's estimate of the number of shares that will eventually vest, taking into account service conditions. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of any such revisions in the consolidated income statement with a corresponding adjustment to equity.

1 Accounting policies continued

Current and deferred tax

The tax expense for the period comprises current and deferred tax, and any adjustments to prior period estimates. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax liabilities are recorded in accordance with applicable tax laws and interpretations at the time the financial statements are approved. Where the relevant law or interpretation is uncertain, tax credits are only recognised when clearance has been obtained from the relevant authorities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised in respect of temporary differences giving rise to deferred tax assets, when it is probable that these assets will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Dividends

Final dividends are recognised in the period in which they are approved by shareholders. Interim dividends are recognised in the period in which they are paid.

Intangible assets

Intangible assets purchased separately are capitalised at cost and amortised on a straight line basis over their useful economic life. Intangible assets acquired through a business combination are initially measured at fair value and amortised on a straight line basis over their useful economic life. Fair value of the acquired intangible assets is calculated based on the estimated future benefits the Group will derive from the asset acquired, discounted at an appropriate weighted average cost of capital ("WACC"). The useful economic lives used are as follows:

Software	–	2 – 10 years
Brands	–	10 years
Customer relationships	–	10 years

Intangible assets that are not yet in use are not amortised until the asset has been brought into use.

Software costs

Development costs that are directly attributable to identifiable and unique software products are recognised in intangible assets when the recognition criteria in IAS 38 'Intangible Assets' are met.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

*for the 52 weeks ended 31 March 2018***1 Accounting policies continued****Property, plant and equipment**

The values of property, plant and equipment are stated at historic purchase cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of the property, plant and equipment over their anticipated useful lives at the rates shown below on a straight line basis:

Leasehold land and buildings	–	over the lease term
Plant and equipment	–	2 – 10 years
Motor vehicles	–	4 – 5 years

Plant and equipment assets that are not yet in use are not depreciated until the asset has been brought into use.

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed annually and adjusted if appropriate. The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of assets

Assets that are subject to amortisation or depreciation are tested for impairment annually or whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels, being individual stores, for which there are separately identifiable cash flows (cash generating units) discounted at an appropriate rate.

Inventories

Inventories are stated at the lower of cost and net realisable value and consist of finished goods held for resale. Cost is based on purchase price using the weighted average cost method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolescence and shrinkage.

Retirement benefits

The Group contributes to employees' individual pension arrangements through a defined contribution pension plan, which is administered separately from the Group. The amount charged against profits represents the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The Group has no further payment obligations once the contributions have been paid.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash in hand and carry insignificant risk of changes in value.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies continued

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially measured at fair value and subsequently re-measured at fair value for each accounting reference date. The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in cost of sales in the income statement.

Amounts accumulated in equity are reclassified to cost of sales in the income statement in the periods when the hedged item affects profit or loss, when the hedged transaction occurs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in equity is retained in equity and is recognised when the forecast transaction is ultimately recognised in cost of sales in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Leases

Leases in respect of which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are recognised as deferred income and released over the term of the lease on a straight line basis.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each payment made in connection with a finance lease is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Share capital

The nominal value of ordinary shares is classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

*for the 52 weeks ended 31 March 2018***1 Accounting policies continued****New standards, amendments and interpretations***Standards, amendments and interpretations effective and adopted by the Group*

The following new standards, or amendments to standards, are effective for the first time for the 52 week period ended 31 March 2018 and do not have a material impact on the consolidated financial statements of the Group:

IAS 7 'Cash flow statements'. Narrow-scope amendments to IAS 7 in relation to the disclosure of net debt.

IAS 12 'Income taxes'. Amendment to clarify when a deferred tax asset should be recognised for unrealised losses.

Standards, amendments and interpretations which are not effective or early adopted by the Group

Standards or amendments that are applicable but that are not effective and have not been early adopted are as follows:

IFRS 16 'Leases' will become effective for the 52 week financial period ending 28 March 2020 and will require a significant change in the accounting and reporting of leases for the Group. The standard will require lessees to recognise assets and liabilities for all leases, with the exception of low value leases or where the lease term is 12 months or less.

The Group is in the process of investing in a new lease management system to prepare for the adoption of the new standard, and is currently assessing the impact of IFRS 16 on its existing lease portfolio of 325 property leases and other contracts.

The Group anticipates that IFRS 16 will have a material impact on the Income Statement, as operating lease rental charges are replaced by depreciation and finance costs, and the balance sheet, as both assets and liabilities increase. There will be no cash impact on adoption of the new standard.

In order to quantify the impact of IFRS 16, management is required to make judgements on a lease-by-lease basis including, but not limited to, the appropriate discount rate (by reference to the interest rate implicit in the lease, or the Group's incremental borrowing rate) and the lease term (including the consideration of options to extend).

It is not practicable to provide a reasonable estimate of the effect of this standard until a detailed lease-by-lease review has been completed. The undiscounted amount of the Group's operating lease commitments at 31 March 2018 was £56.6m (note 30).

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for the 52 week period ending 30 March 2019. The main change for the Group is a simplification of hedge accounting rules. As a result, the impact of the change on the Group is minimal, and will result in no changes in disclosure.

IFRS 15 'Revenue from Contracts with Customers'. This is effective for the 52 week period ending 30 March 2019, and requires revenue generated from contracts with customers to more accurately reflect the economic reality. This standard will not have any impact on the Group's revenues, as all of the Group's revenue relates to the sale of products directly to customers either in store or online; no contracts are in place for any revenue generated.

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

Critical accounting estimates and assumptions

In the process of applying the Group's accounting policies, management must make judgements and estimates that may have a significant effect on the amounts recognised in the financial statements. These estimates and judgements are evaluated periodically and are based on historical experience and other factors, including expectations of future events. The most critical of these accounting estimates and judgements are noted below.

Inventory provisions provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. The estimate of net realisable value is based on both historic experience and assumptions regarding future selling values, and is consequently a source of uncertainty. The provision is determined based on the choice of an appropriate percentage in accordance with the ageing of stock which is categorised by season. The carrying amount of inventory provisions at 31 March 2018 was £230,000. A 1% change in the percentage applied to the most recent season would result in a £11,000 change in the provision at 31 March 2018.

Impairment of assets. The provision for potential impairment in value of individual store assets is based on a comparison of the store's value in use with the net book value of the fixed assets associated with the store. The approach used entails allocating central overhead costs to stores in addition to the directly attributable costs of operating the store, and using a sales/profit projection, discounted at the Group's WACC, to produce a "value in use" estimate. If the value in use thus derived is less than the current net book value of the store's fixtures and fittings, a provision is made for the difference. Accounting assumptions or estimates have been made in the allocation of overheads to individual stores, the future growth assumptions, and the WACC. The impairment provision for the year ended 31st March 2018 was £404,000.

2 Financial risk management and capital management

Financial risk factors

The Group's principal financial instruments comprise cash, trade receivables, finance leases, trade payables and derivatives. The main purpose of these financial instruments is to provide funds for the Group's operations. The principal risks arising from financial instruments that the Group is exposed to are exchange rate, credit and liquidity risks.

a) Exchange rate risk

Exchange rate risk is the risk that changes in foreign exchange rates will impact the Group's costs or the value of its financial instruments. Exchange rate risk arises because it pays overseas suppliers for purchases of inventories in foreign currency, principally US Dollars. It is the policy of the Group to enter into forward foreign currency contracts to cover up to 100% of forecast inventory purchases for up to 12 months. In certain circumstances, and subject to Board approval, the Group may purchase forward foreign currency contracts with a maturity date beyond 12 months. The Group does not engage in speculative currency trading and only secures the currency it requires to meet its anticipated trading liabilities.

As at 31 March 2018, the Group had £423,000 (2017: £2,587,000) of financial assets and £4,209,000 (2017: £6,343,000) of financial liabilities that were exposed to exchange rate risk.

The effect of a 10% weakening of the US Dollar against Sterling at 31 March 2018 on the US Dollar-denominated financial assets and financial liabilities carried at that date would have resulted in an increase in pre-tax profit for the year and an increase in net assets of £344,000 (2017: £341,000).

As at 31 March 2018, the Group had £153,000 (2017: £6,704,000) of derivative financial assets (forward foreign currency contracts) and £4,945,000 (2017: £nil) of derivative financial liabilities that were exposed to exchange rate risk.

The effect of a 10% weakening of the US Dollar against Sterling at 31 March 2018 on the forward foreign currency contracts carried at that date would have resulted in a decrease in net assets of £1,536,000 (2017: £4,246,000). There is no impact on the period's pre-tax profit, as such a decrease would be treated as a movement within the cash flow hedge reserve.

Exposure to Euro exchange risk arises as Northern Ireland stores accept Euro as payment for goods. The sensitivity to a reasonably likely change (+/- 10%) in the Euro exchange rate has been determined as being immaterial.

b) Credit risk

Credit risk arises from the Group's cash balances held with counterparties and from trade receivables defaulting. All cash balances are held with reputable banks and the Board monitors its exposure to counterparty risk on an ongoing basis.

Trade receivables include monies due from a payment processing supplier, (typically) low value transactions with subtenants and by exception, certain concession partners, and issuers of third party shopping vouchers. Accordingly, the concentration of credit risk is limited. Receivable balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

The maximum exposure to credit risk at the balance sheet date is the carrying amount of trade receivables as disclosed in note 16. Cash and cash equivalents have no significant exposure to credit risk.

c) Liquidity risk

The Group is exposed to the risk that it is unable to meet its debt obligations as they fall due. The Group finances its operations with cash, finance leases and committed undrawn bank credit facilities. Management monitors rolling forecasts of cash and undrawn borrowing facilities on the basis of expected cash flows. As at 31 March 2018, the Group's exposure to liquidity risk was low, and amounts due under finance leases were relatively immaterial.

The table below shows the maturity analysis of the Group's undiscounted cash flow liabilities.

	Within 12 months £'000	1-2 years £'000	2-5 years £'000
31 March 2018			
Trade payables	22,038	—	—
Other taxes and social security	526	—	—
Accruals	7,929	—	—
Other payables	1,854	—	—
Finance leases	406	256	372

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ended 31 March 2018

2 Financial risk management and capital management continued**Financial risk factors** continued

c) Liquidity risk continued

1 April 2017	Within 12 months £'000	1–2 years £'000	2–5 years £'000
Trade payables	24,931	—	—
Other taxes and social security	1,314	—	—
Accruals	7,852	—	—
Other payables	1,647	—	—
Finance leases	465	406	637

d) Capital management

The capital structure of the Group consists of net cash (as disclosed in note 28) and equity attributable to equity holders of the Company, comprising issued share capital, share premium, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, and to minimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the value of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the level of net cash. Net cash is calculated as cash and cash equivalents less finance lease and hire purchase liabilities. Short and long term cash flow forecasts are regularly produced to enable the Group to monitor its net cash and maintain sufficient liquidity headroom.

3 Segment information

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

The Board considers the business to be one main type of business generating revenue: multi-channel 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.

4 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:

	Footnote	Group	
		52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'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.

5a Operating profit

Operating profit is stated after charging/(crediting):

	Note	Group	
		52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Share-based payment charge	23	130	27
Depreciation of property, plant and equipment:			
– owned	12	3,563	2,937
– held under finance lease and HP agreement	12	392	295
Amortisation of intangible assets	13	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

5b Auditor's remuneration

During the year the Group's auditor provided the following services:

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Audit services		
Fees payable for the audit of the Company and consolidated financial statements	41	35
Other services		
Audit of subsidiary financial statements	40	35
	81	70

6a Employee benefit expense

	Group		Company	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Wages and salaries	37,414	37,330	756	636
Social security costs	2,296	2,381	–	–
Other pension costs	785	793	–	–
Share-based payments	130	27	72	55
Termination payments	130	943	–	–
Employee benefit expenses included in operating profit	40,755	41,474	828	691

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ended 31 March 2018

6b Average number of people employed

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

	Group		Company	
	52 weeks ended 31 March 2018 FTE	53 weeks ended 1 April 2017 FTE	52 weeks ended 31 March 2018 FTE	53 weeks ended 1 April 2017 FTE
Stores	1,504	1,501	—	—
Administration	194	191	2	2
Distribution	253	265	—	—
	1,951	1,957	2	2

6c Directors' and key management remuneration

Key management comprises the Executive and Non-executive Directors, and the members of the Trading Board. The costs of key management remuneration were as follows:

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Short term employee benefits	1,866	1,812
Post-employment benefits	44	46
Cost of share-based payments	116	27
Termination payments	—	132
	2,026	2,017

Information concerning Directors' remuneration, interests in shares, share options and the highest paid Director is included in the Directors' Remuneration Report on pages 49 to 54, and which forms part of these financial statements.

7 Finance income and costs

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Finance income		
Bank interest receivable	53	33
Total finance income	53	33
Finance costs		
Revolving credit facility costs	116	159
Finance lease and HP interest payable	39	31
Total finance costs	155	190

8 Taxation

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'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

8 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.

9 Trading profit and loss in the holding company

Of the Group's profit for the period, profit of £3,521,000 (2017: £3,472,000) is dealt with in the financial statements of Bonmarché Holdings plc and the statement of changes in equity. Company profit before tax and income from investments was £76,000 (2017: £74,000). The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement and statement of comprehensive income for the Company alone.

The individual income statement of Bonmarché Holdings plc was approved by the Board on 19 June 2018.

Included in the Company's retained earnings is £63,300,000 of reserves that are distributable (2017: £63,200,000).

10 Earnings per share

	Group	
	52 weeks ended 31 March 2018 £'000	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.

	Group	
	52 weeks ended 31 March 2018 Number	53 weeks ended 1 April 2017 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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ended 31 March 2018

10 Earnings per share continued**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 31 March 2018 £'000	53 weeks ended 1 April 2017 £'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 31 March 2018 Pence	53 weeks ended 1 April 2017 Pence
Underlying basic earnings per share (pence)	13.1	10.1
Underlying diluted earnings per share (pence)	12.8	9.9

11 Dividends

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Equity – ordinary		
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

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 ceasing to be a member of the plan.

12 Property, plant and equipment

Group	Leasehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 27 March 2016	1,341	20,873	1,262	23,476
Additions	490	6,147	68	6,705
Disposals	(155)	(1,193)	—	(1,348)
At 1 April 2017	1,676	25,827	1,330	28,833
Accumulated depreciation				
At 27 March 2016	521	7,944	523	8,988
Charge for the period	267	2,711	254	3,232
Disposals	(151)	(278)	—	(429)
At 1 April 2017	637	10,377	777	11,791
Net book value				
At 1 April 2017	1,039	15,450	553	17,042

Cost				
At 2 April 2017	1,676	25,827	1,330	28,833
Additions	514	3,309	21	3,844
Disposals	(26)	101	(13)	62
At 31 March 2018	2,164	29,237	1,338	32,739
Accumulated depreciation				
At 2 April 2017	637	10,377	777	11,791
Charge for the period	328	3,389	238	3,955
Disposals	(6)	(122)	(11)	(139)
At 31 March 2018	959	13,644	1,004	15,607
Net book value				
At 31 March 2018	1,205	15,593	334	17,132

Additions of plant and equipment include the following amounts in respect of assets not yet in use, which have not been depreciated:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Plant and equipment not yet in use	921	621

The net book value of the Group's property, plant and equipment includes the following amounts in respect of assets held under finance leases and HP agreements:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Cost	2,200	2,200
Accumulated depreciation	(1,183)	(791)
Net book value	1,017	1,409

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ended 31 March 2018

13 Intangible assets

Group	Software £'000	Brands £'000	Customer relationships £'000	Total £'000
Cost				
At 27 March 2016	1,768	2,888	276	4,932
Additions	3,298	—	—	3,298
Disposals	(107)	—	—	(107)
At 1 April 2017	4,959	2,888	276	8,123
Accumulated amortisation				
At 27 March 2016	298	1,354	117	1,769
Charge for the period	346	268	29	643
Disposals	(71)	—	—	(71)
At 1 April 2017	573	1,622	146	2,341
Net book value				
At 1 April 2017	4,386	1,266	130	5,782
Cost				
At 2 April 2017	4,959	2,888	276	8,123
Additions	2,817	—	—	2,817
Disposals	(8)	—	—	(8)
At 31 March 2018	7,768	2,888	276	10,932
Accumulated amortisation				
At 2 April 2017	573	1,622	146	2,341
Charge for the period	784	263	28	1,075
Disposals	(4)	—	—	(4)
At 31 March 2018	1,353	1,885	174	3,412
Net book value				
At 31 March 2018	6,415	1,003	102	7,520

Additions of software include the following amounts in respect of assets not yet in use, which have not been depreciated:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Software not yet in use	4,002	2,740

Amortisation is charged to administrative expenses in the consolidated income statement.

14 Investments in subsidiaries

	Company	
	31 March 2018 £'000	1 April 2017 £'000
Cost and net book value at beginning and end of period	66,069	66,069

The Directors believe that the carrying value of the investment is supported by its underlying net assets and expected results from future trading.

The following is a list of all companies within the Group.

Name	Country of incorporation	Company registration number	Nature of the business	Proportion of ordinary shares held
Bluebird UK Topco Limited	England and Wales	07909406	Holding company	100%
Bluebird UK Holdco Limited	England and Wales	07909464	Holding company	100%
Bonmarché Limited	England and Wales	07909526	Retail	100%

The registered address for all companies within the Group is Jubilee Way, Grange Moor, Wakefield, West Yorkshire WF4 4SJ.

15 Inventories

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Goods for resale	23,857	25,087

The following amounts were recognised as an expense and included in cost of sales:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Cost of inventories	77,368	78,612
Write down of inventories	924	772

16 Trade and other receivables

	Group		Company	
	31 March 2018 £'000	1 April 2017 £'000	31 March 2018 £'000	1 April 2017 £'000
Current				
Trade receivables	147	145	—	—
Less: provision for impairment of trade receivables	—	—	—	—
Trade receivables – net	147	145	—	—
Other receivables	2,159	1,659	95	143
Receivable from subsidiary undertaking	—	—	13,618	9,905
Prepayments	14,015	13,318	—	—
Trade and other receivables	16,321	15,122	13,713	10,048

The carrying amounts of trade and other receivables are all denominated in Sterling.

Prepayments at 31 March 2018 include £8.7m of business rates charges relating to FY19 (1 April 2017 in respect of FY18: £9.4m).

As of 1 April 2017 and 31 March 2018, trade receivables that are neither past due nor impaired related to independent customers for whom there is no recent history of default.

The analysis of these trade receivables is as follows:

	Group		Company	
	31 March 2018 £'000	1 April 2017 £'000	31 March 2018 £'000	1 April 2017 £'000
Neither past due nor impaired	147	145	—	—
Impaired (over six months overdue)	—	—	—	—
	147	145	—	—

Impaired receivables as of 31 March 2018 are individually identified and represent amounts in dispute that are six months overdue.

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	31 March 2018 £'000	1 April 2017 £'000	31 March 2018 £'000	1 April 2017 £'000
At beginning of period	—	—	—	—
Recovered during the period	—	—	—	—
Charged/(credited) to the income statement	—	—	—	—
At end of period	—	—	—	—

Provisions are estimated based upon past default experience and the Directors' assessment of the current economic environment. The creation and release of receivables are charged/(credited) to administrative expenses in the income statement.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Amounts receivable from subsidiary undertakings are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ended 31 March 2018

17 Cash and cash equivalents

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Cash at bank and on hand	5,267	6,946
Cash and cash equivalents	5,267	6,946

18 Trade and other payables

	Group		Company	
	31 March 2018 £'000	1 April 2017 £'000	31 March 2018 £'000	1 April 2017 £'000
Current				
Trade payables	22,038	24,931	—	—
Other taxes and social security	526	1,314	—	—
Accruals	7,929	7,852	—	—
Deferred income arising from rent-free and lease incentives	1,145	817	—	—
Payable to subsidiary undertaking	—	—	15,174	11,700
Other payables	1,854	1,647	—	—
Trade and other payables	33,492	36,561	15,174	11,700

The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

Amounts payable to subsidiary undertakings are unsecured, interest free and repayable on demand.

19 Other payables

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Non-current		
Deferred income arising from rent-free and lease incentives	2,315	1,861
Other payables	2,315	1,861

Deferred income arising from rent-free and lease incentives represents the value not yet recognised in the income statement in relation to rent-free periods and/or landlord lease incentives received at the beginning of certain property operating leases, as an incentive to enter into the lease. The credit arising on these rent-free periods and/or cash incentives is released to the income statement on a straight line basis over the term of the lease. At 31 March 2018, the total deferred income balance had an average remaining life of 27 months (1 April 2017: 19 months).

The ageing of this deferred income is as follows:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Current	1,145	817
Non-current	2,315	1,861
Total deferred income arising from rent-free and lease incentives	3,460	2,678

20 Financial liabilities

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Current		
Finance leases and HP agreements	382	426
Non-current		
Finance leases and HP agreements	604	985
Total financial liabilities	986	1,411

The carrying amount of borrowings approximates to their fair value.

20 Financial liabilities continued

The Group has the following undrawn borrowing facilities:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Committed revolving credit facility	10,000	10,000

At the end of the year, the Group had a committed revolving credit bank facility which matures on 31 March 2020. This facility contains a financial covenant in relation to which there have been no breaches in the year.

Finance lease and hire purchase liabilities are effectively secured as the rights to the relevant asset revert to the lessor in the event of default.

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Gross finance lease and HP agreement liabilities – minimum lease payments:		
– no later than one year	406	465
– later than one year and no later than five years	628	1,043
Sub-total	1,034	1,508
Future finance charges on finance leases and HP agreements	(48)	(97)
Present value of finance lease and HP agreement liabilities	986	1,411

The maturity profile of finance lease and HP agreement liabilities is as follows:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
No later than one year	382	426
Later than one year and no later than five years	604	985
	986	1,411

21 Financial instruments

The Group's financial risk management policy is as disclosed in note 2.

Financial assets

'Trade and other receivables' and 'Cash and cash equivalents' are designated as loans and receivables and carried at amortised cost as disclosed in notes 16 and 17 respectively. Derivative financial instruments are measured at fair value and classified as financial assets designated on initial recognition as fair value movements through the profit and loss. The carrying value of derivative financial assets at 31 March 2018 was £153,000 (1 April 2017: £6,704,000).

Financial liabilities

'Trade and other payables' and 'Finance leases' are designated as financial liabilities measured at amortised cost and the carrying value is disclosed in notes 18 and 20 respectively. 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. The carrying value of derivative financial liabilities at 31 March 2018 was £4,945,000 (1 April 2017: £nil).

Cash flow hedges

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Forward foreign exchange contracts – cash flow hedge (Level 2) asset	153	6,704
Forward foreign exchange contracts – cash flow hedge (Level 2) liability	4,945	—
Forward foreign exchange contracts – notional principal amount	78,259	55,598

The Group uses forward foreign exchange contracts to hedge the foreign exchange risk from highly probable forecast stock purchases 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 (1 April 2017: 12 months).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ended 31 March 2018

21 Financial instruments continued**Cash flow hedges** continued

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.

22 Deferred tax

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Current deferred tax assets	939	—
Non-current deferred tax assets	45	103
Current deferred tax liabilities	(56)	(1,329)
Non-current deferred tax liabilities	(172)	(200)
Net deferred tax assets/(liabilities)	756	(1,426)

Deferred tax assets are recognised in respect of temporary differences giving rise to deferred tax assets, when it is probable that these assets will be recovered.

The movement on the net deferred tax account is as follows:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
At beginning of period	(1,426)	(1,158)
Income statement (charge)/credit	(2)	50
Tax credit/(charge) relating to components of other comprehensive income	2,184	(318)
At end of period	756	(1,426)

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group	Intangible assets £'000	Cash flow hedges £'000	Other temporary differences £'000	Total £'000
At 27 March 2016	(320)	(956)	118	(1,158)
Credited/(charged) to the income statement	65	—	(15)	50
Charged to other comprehensive income	—	(318)	—	(318)
Balance at 1 April 2017	(255)	(1,274)	103	(1,426)

Group	Intangible assets £'000	Cash flow hedges £'000	Other temporary differences £'000	Total £'000
At 2 April 2017	(255)	(1,274)	103	(1,426)
Credited/(charged) to the income statement	56	—	(58)	(2)
Charged to other comprehensive income	—	2,184	—	2,184
Balance at 31 March 2018	(199)	910	45	756

23 Share-based payments

The Company operates equity-settled share schemes for certain employees which are intended to act as incentives to help the Company attract, retain and motivate Executive Directors and other key employees over the long term.

Long Term Incentive Plan

General conditions

The Bonmarché Long Term Incentive Plan was approved by shareholders at the Company's AGM on 30 July 2015. Individuals may be granted awards over shares worth up to 125% of their annual salary in any financial year.

On 24 September 2015 nil-cost shares worth 50% of the participants' annual salary were granted and will vest after three years subject to performance conditions being met and the employee's continued employment in the Group. This is referred to as the 'FY16 LTIP'. Two further LTIPs with the same conditions have since been granted on 23 December 2016 and 27 July 2017. These are referred to as the 'FY17 LTIP' and the 'FY18 LTIP'.

Performance conditions

The Remuneration Committee agrees the performance conditions for each award. For each LTIP, the vesting of 25% is conditional upon total shareholder return ('TSR') compared to a benchmark of general retailers, and the vesting of 75% is conditional upon earnings per share ('EPS') growth.

Fair value of shares

The Black Scholes model has been used in determining the fair value of the EPS-related grant and the Monte Carlo model for the TSR-related grant. The inputs into the Black Scholes model and Monte Carlo model were as follows:

	FY18 LTIP		FY17 LTIP		FY16 LTIP	
	Black Scholes	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes	Monte Carlo
Share price at valuation date (pence per share)	98.0p	98.0p	85.5p	85.5p	294.0p	294.0p
Exercise price (pence per share)	0p	0p	0p	0p	0p	0p
Expected volatility	34.6%	34.6%	32.4%	32.4%	24.0%	24.0%
Expected term	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	7.29%	7.29%	8.35%	8.35%	2.60%	2.60%
Risk-free interest rate	0.28%	0.28%	0.24%	0.24%	0.75%	0.75%
Fair value at valuation date (pence per share)	78.7p	62.0p	85.5p	7.5p	271.9p	152.9p

As the Company has only limited history of quoted share price volatility, expected volatility was determined with reference to the historical volatility for the constituents of the Company's TSR comparator group over a period commensurate with the expected terms of the awards.

Company Share Option Plan

General conditions

80,418 share awards were granted under the Company Share Option Plan schedule of the LTIP that was approved by shareholders at the Company's AGM on 30 July 2015. The grant was made to Helen Connolly on 23 December 2016, and was made to reflect share awards forgone in a previous role, in order to take up her position as Bonmarché Chief Executive.

The shares vested as follows:

- 12,466 vested on 15 February 2017;
- 36,761 vested on 1 March 2017; and
- 31,191 vested on 1 March 2018.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

*for the 52 weeks ended 31 March 2018***23 Share-based payments** continued**Company Share Option Plan** continued

Fair value of shares

The Black Scholes model has been used in determining the fair value of the Company Share Option Plan grant.

Vesting date	15 February 2017	1 March 2017	1 March 2018
Share price at valuation date (pence per share)	85.5p	85.5p	85.5p
Exercise price (pence per share)	0p	0p	0p
Expected volatility	No impact	No impact	No impact
Expected term	0.15 years	0.19 years	1.19 years
Expected dividend yield	0.00%	0.00%	8.35%
Risk-free interest rate	0.00%	0.00%	0.00%
Fair value at valuation date (pence per share)	85.5p	85.5p	77.4p

Movements in the number of shares outstanding

The movements in the shares under the Long Term Incentive Plan and the Company Share Option Plan are as follows:

	Long Term Incentive Plan Number of shares	Company Share Option Plan Number of shares
Unvested at the beginning of the period	563,073	31,191
Granted	786,813	—
Lapsed	—	—
Vested	—	(31,191)
Unvested at the end of the period	1,349,886	—

Charge to the income statement

	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Total expense related to equity-settled share-based payment transactions	130	27

24 Share capital

	Group and Company	
	31 March 2018 £'000	1 April 2017 £'000
Allotted, called up and fully paid		
50,018,150 (2017: 50,018,150) ordinary shares of 1 pence (2017: 1 pence)	500	500

25 Share premium

The share premium account consists of the premium paid on the purchase of shares at the time of the 2013 IPO, by the Bonmarché Employee Benefit Trust and other shareholders.

26 Employee Benefit Trust ('EBT') reserve

An Employee Benefit Trust ('EBT') facilitates the operation of the Group's share incentive plans and jointly holds shares with certain employees. The Trust is resident in Jersey and has an independent professional Trustee.

The EBT reserve balance represents the amount paid by the EBT on the Company's behalf to purchase the shares.

At 31 March 2018, the EBT held in Trust 1,366,617 of its own shares (2017: 1,415,844) with a nominal value of £14,000 (2017: £14,000). The market value of the shares at 31 March 2018 was £1,148,000 (2017: £1,104,000).

The Trust has waived its entitlement to receive dividends in respect of its holding of the Company's ordinary shares.

27 Cash generated from operations

	Note	Group	
		52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Profit before tax		8,000	5,793
Adjustments for:			
– depreciation	12	3,955	3,232
– amortisation of intangible assets	13	1,075	643
– (profit)/loss on disposal of property, plant and equipment	5a	(201)	919
– loss on disposal of intangible assets	5a	4	36
– share-based payment debit	23	130	27
– net finance costs/income	7	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

28 Analysis of net cash

	Note	Group	
		31 March 2018 £'000	1 April 2017 £'000
Cash and cash equivalents	17	5,267	6,946
Finance lease and HP agreement liabilities	20	(986)	(1,411)
Net cash		4,281	5,535

29 Contingencies

During the year, the Group' bankers issued letters of credit on its behalf to foreign suppliers. The settlement dates on these letters of credit range from 0 to 60 days after the title of goods purchased have passed to the Group. Letters of credit with the following aggregate value were outstanding at the period end:

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Letters of credit	1,113	1,513

30 Commitments

a) Capital commitments

	Group	
	31 March 2018 £'000	1 April 2017 £'000
Capital expenditure: contracted but not recorded in the financial statements	256	—

b) Operating lease commitments

The Group leases stores, offices, a warehouse, cars and equipment. At the balance sheet date the future aggregate minimum lease payments under non-cancellable operating leases were:

Group	Land and buildings		Other	
	31 March 2018 £'000	1 April 2017 £'000	31 March 2018 £'000	1 April 2017 £'000
Within one year	15,066	11,743	334	367
Within two years to five years inclusive	36,880	27,143	288	385
After five years	4,049	4,005	—	—
Total	55,995	42,891	622	752

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ended 31 March 2018

31 Pension commitments

The Group contributes to employees' individual pension arrangements through a defined contribution group personal pension plan. The pension cost charge for the period represents contributions payable by the Group and Company to the scheme:

	Group	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Pension cost charge for the period	785	793

32 Related parties**Transactions with subsidiaries**

Transactions between the Company and its subsidiaries, which are related parties of the Company, were:

	Company	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Costs recharged to subsidiary undertakings	1,605	1,537

The transactions relate to management services and other costs, recharged to subsidiaries.

The Company received dividend income from its subsidiary undertakings during the financial year of £3,459,000 (2017: £3,413,000).

During the 52 weeks ended 31 March 2018, shares held by the Bonmarché Employee Benefit Trust ('EBT') were used to satisfy a grant of shares made under the Group's Company Share Option Plan (£42,000).

During the 53 weeks ended 1 April 2017, the Company made a loan to the EBT of £42,000 to purchase shares from departing participants of the Restricted Share Agreement. The shares held by the EBT may be used, for example, to satisfy grants of shares to participants in the Group's current or future LTIP schemes.

The amounts owed by and to these related parties with the Company at the end of the financial period were:

	Company	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Amounts owed by subsidiaries	13,618	9,905
Amounts owed to subsidiaries	15,174	11,700
Amounts owed by the EBT	78	120

Transactions with Parent Companies and affiliates of the Parent Companies

The immediate Parent Company of Bonmarché Holdings plc is BM Holdings S.à r.l. and the ultimate Parent Company is a private equity investment fund advised by an affiliate of Sun Capital Partners, Inc. Transactions with the immediate and ultimate Parent Companies occur within the Group.

a) Purchase of goods and services

Fees charged by Sun Capital Partners Management V, LLC and affiliates of the Parent Companies during the period in relation to services provided were as follows:

	Group and Company	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Directors' fees	50	50
Services in the normal course of business	1	16

At 31 March 2018, there was an accrual of £12,000 (1 April 2017: £12,000) in respect of fees payable to Sun Capital Partners V, LLC, for services provided by its Director nominee. No amounts were payable at 31 March 2018 to affiliates (2017: £nil).

32 Related parties continued

Transactions with key management

Key management and Directors' remuneration for the Group is disclosed in note 6c. In addition, Executive Directors and key management participate in an incentive share scheme, further details of which can be found in note 23.

Information for the Company in respect of the Executive and Non-executive Directors' remuneration can be found in the Directors' Remuneration Report on pages 49 to 54.

The Directors and key management control 1,067,452 shares in Bonmarché Holdings plc, which represents 2.10% of the issued share capital.

Loans have been provided to certain employees in connection with the acquisition of shares.

	Group and Company	
	52 weeks ended 31 March 2018 £'000	53 weeks ended 1 April 2017 £'000
Outstanding at the start of the period	143	143
Amounts repaid during the period	(48)	—
Outstanding at the end of the period	95	143

33 Events after the reporting period

Between 31 March 2018 and the date of signing the financial statements, there have been no material events.

SHAREHOLDERS' INFORMATION

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Key dates

These dates are indicative and may be subject to change.

Dividend record date	29 June 2018
Annual General Meeting and trading update announcement	26 July 2018
Dividend payment date	3 August 2018
Financial half-year end	29 September 2018
Half-yearly management statement	November 2018
Christmas trading update	January 2019
Financial year end	30 March 2019
Pre-close trading update	April 2019
2019 final results announcement	June 2019

Annual General Meeting

The AGM will be held at Bonmarché's headquarters, Jubilee Way, Grange Moor, Wakefield WF4 4SJ, on Thursday 26 July 2018. The meeting will start at 2.00pm and registration will be available from 1.30pm.



Bonmarché Holdings plc is committed to environmental issues which are reflected in this Annual Report which has been printed on Novatech Digital Silk, which is an FSC® Mix Certified paper, ensuring that all virgin pulp is derived from well-managed forests and other responsible sources.

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