B & M Retail Limited

Financial statements

For the year ended 31 December 2006

Company No. 01357507

Company information

Company registration number :	01357507
Registered office :	Unit 1G Squires Gate Industrial Estate Squires Gate Lane Blackpool Lancashire FY4 3RN
Directors :	B Arora S Arora
Secretary :	S Arora
Bankers :	NatWest 344 Lytham Road South Shore Blackpool FY4 1DY
Solicitors :	Eversheds Cloth Hall Court Infirmary Street Leeds LS1 2JB
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB

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Report of the directors

The directors present their report together with the financial statements for the year ended 31 December 2006.

Principal activity
The principal activity of the company is that of discount general retailers.

Business review
There was a profit for the year after taxation amounting to £2,427,000 (2005 : profit £970,000). The directors did not declare a dividend during the year (2005: £Nil), leaving a retained profit of £2,427,000 (2005 : £970,000) to be transferred to reserves.

During the year under review the company grew from 22 stores to 36 stores The company has continued to roll-out our new 'sunburst' store fascia. The directors regard the investment in additional stores and store refurbishment as a key driver of the improved financial performance. The company has also continued to migrate their customers to higher value non-grocery lines.

The market remains favourable as consumers become more value conscious. The directors continue to see opportunities to extend the store network and are confident of successfully growing the business.

Directors
The directors in office during the year and their interests in the shares of the company are shown below All directors served on the Board throughout the year, except where indicated below :

	Ordinary shares of £1 each	
	31 December 2006	26 February 2006
S Arora	-	-
B Arora	-	-

S Arora and B Arora are directors of Firesource Limited, the ultimate parent undertaking at the year end. Their interests in the share capital of Firesource Limited are disclosed in that company's financial statements

Financial risk management
The company uses various financial instruments these include parent company loans, finance company loans, cash, equity investment, preference shares and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

Report of the directors

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. In order to manage the company's exposure to those risks, in particular the company's exposure to currency risk, the company enters into forward foreign currency contracts. No transactions in derivatives are undertaken of a speculative nature.

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years.

Market risk
Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. Price risk is not considered material to the business as the company is able to pass on pricing changes to its customers. The company's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk
The company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, this is not considered material to the business as amounts owed in foreign currency are short term of up to 30 days and are of a relatively modest nature. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements.
All of the company's sales are to customers in the UK and there is no currency exposures in this respect.

About 15% of the company's purchases are priced in US Dollars. The company uses forward currency contracts to minimise the risk associated with that exposure.

Liquidity risk
The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.
All of the company 's borrowings were either due to mature in less than five years or are loans from the company's parent holding company which have no set date for repayment. Short-term flexibility is achieved by overdraft facilities.

Interest rate risk
The company finances its operations through a mixture of retained profits, overdraft and parent company loan. The company exposure to interest rate fluctuations on its borrowings is not considered material The parent company loan does not attract any interest costs.

Report of the directors

Credit risk
The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparty is a UK clearing bank with a high credit rating. The principal credit risk arises therefore from the company's trade debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. Provisions against bad debt are made where appropriate.

Statement of directors' responsibilities
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware :

- there is no relevant audit information of which the company's auditors are unaware; and

- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Report of the directors

Employees

The company has continued its practice of keeping staff informed of matters affecting them as employees through local meetings, company newsletters and notice boards

The company seeks to ensure that disabled people, whether applying for a vacancy or already in employment, receive equal opportunities in respect of those vacancies that they are able to fill and are not discriminated against on the grounds of their disability

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors in accordance with Section 385 of the Companies Act 1985 will be proposed at the Annual General Meeting

BY ORDER OF THE BOARD

S Arora
Secretary

26 April 2007

Grant Thornton

Report of the independent auditors to the members of B & M Retail Limited

We have audited the financial statements of B & M Retail Limited for the year ended 31 December 2006 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 22. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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

Grant Thornton

Report of the independent auditors to the members of B & M Retail Limited

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

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 December 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

26 April 2007

Principal accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company, which are set out below, have remained unchanged from the prior year.

Turnover
Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts Store retail turnover is recognised at the initial point of sale of goods to customers. Wholesale turnover is recognised on despatch of goods.

Fixed assets and depreciation
Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets, excluding freehold land, as follows :

Freehold buildings	2% straight line
Leasehold land and buildings	Life of lease
Plant and equipment, fixtures and fittings and motor vehicles	10%–25% straight line

Revenue expenditure incurred on new units prior to opening for business is written off as incurred.

Stocks
Stocks are valued at the lower of cost and net realisable value.

Deferred taxation
Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet

Leased assets
Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Investments
Investments are included at cost less amounts written off.

Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are dealt with through the profit and loss account.

Contributions to pension funds
Defined contribution schemes
The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting year.

Profit and loss account

	Note	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
Turnover – continuing activities	1	77,997	58,604
Cost of sales		(55,104)	(42,748)
Gross profit		22,893	15,856
Administrative expenses		(19,301)	(14,844)
Store opening costs		(264)	(39)
Exceptional administrative costs	2	-	(207)
Total administrative expenses		(19,565)	(15,090)
Operating profit – continuing activities		3,328	766
Exceptional item – profit on disposal of fixed assets		-	335
Net interest	3	(128)	(89)
Profit on ordinary activities before taxation	1	3,200	1,012
Tax on profit on ordinary activities	5	(773)	(42)
Profit for the financial year	16	2,427	970

There were no recognised gains or losses other than the result for the financial year.

The accompanying notes form part of these financial statements.

Balance sheet

	Note	2006 £000	2005 £000
Fixed assets			
Investments	6	**7**	7
Tangible assets	7	**7,135**	6,551
		7,142	6,558
Current assets			
Stocks	8	**7,673**	5,174
Debtors	9	**2,886**	2,298
Cash at bank and in hand		**6,471**	4,165
		17,030	11,637
Creditors: amounts falling due within one year	10	**(15,743)**	(12,243)
Net current assets / (liabilities)		**1,287**	(606)
Total assets less current liabilities		**8,429**	5,952
Creditors : amounts falling due after more than one year	11	**(1,770)**	(2,148)
Provisions for liabilities and charges	13	**(755)**	(327)
		5,904	3,477
Capital and reserves			
Called up share capital	15	**1,905**	1,905
Profit and loss account	16	**3,999**	1,572
Equity shareholders' funds	17	**5,904**	3,477

The financial statements were approved by the Board of Directors on 27 April 2007

S Arora Director

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation are attributable to the principal activity of the company.

The profit on ordinary activities before taxation is stated after charging/(crediting).

	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
Auditors' remuneration:		
Audit services	16	14
Non-audit services, taxation compliance	3	3
Depreciation:		
Tangible fixed assets, owned assets	1,019	702
Tangible fixed assets, assets on finance leases	343	465
Hire of plant and machinery	181	157
Other operating lease payments	3,304	2,797
Loss/(profit) on sale of tangible fixed assets	4	(340)

2 Exceptional administrative costs

	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
Provision against Choice Gift Vouchers Limited which went into administration on 31 January 2006	-	95
Professional costs	-	112
	-	207

3 Net interest

	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
Group interest payable	–	26
Interest on bank loans and overdrafts	81	–
Finance charges in respect of finance leases	59	87
	140	113
Interest receivable	(12)	(24)
	128	89

4 Directors and employees

Staff costs during the year were as follows :	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
Wages and salaries	8,411	7,080
Social security costs	528	439
Pension costs	48	69
	8,987	7,588

The average number of employees during the year was :	Year ended 31 December 2006 Number	10 months ended 31 December 2005 Number
Sales and distribution staff	970	869
Administration	36	43
	1,006	912

Remuneration in respect of directors was as follows :

	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
Directors remuneration	12	55
Contributions to money purchase pension schemes	-	5
Compensation for loss of office	-	5
	12	65

During the year no directors (2005 : 2) participated in money purchase pension schemes.

5 Tax on profit on ordinary activities

The tax charge represents :	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
United Kingdom corporation tax at 30% (2005 : 30%)		
– current year	637	2
– prior year	(163)	40
	474	42
Deferred tax		
– current year	299	–
	773	42

Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2005 : 30%). The differences are explained as follows :

	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
Profit on ordinary activities before taxation	3,200	1,012
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (26 February 2006 30%)	960	304
Effect of·		
Expenses not deductible for tax purposes	100	(75)
Differences between capital allowances and depreciation	(59)	36
Other short term timing differences	(20)	104
Adjustment in respect of previous years	(163)	40
Group relief	(8)	–
Trade losses utilised	(336)	(367)
	474	42

6 Investments

	£000
Cost and net book value	
At 31 December 2005 and 31 December 2006	7

7 Tangible fixed assets

	Land and buildings £000	Motor vehicles £000	Plant, fixtures and equipment £000	Total £000
Cost				
At 1 January 2006	1,595	623	11,765	13,983
Additions	244	335	1,412	1,991
Disposals	(11)	(80)	-	(91)
At 31 December 2006	1,828	878	13,177	15,883
Depreciation				
At 1 January 2006	905	435	6,092	7,432
Charge for the year	92	104	1,166	1,362
Disposals	-	(46)	-	(46)
At 31 December 2006	997	493	7,258	8,748
Net book amount				
At 31 December 2006	831	385	5,919	7,135
Net book amount				
At 31 December 2005	690	188	5,673	6,551

Included within land and buildings is land with a cost of £100,000 which is not depreciated.

The net book value of land and buildings comprises:	2006 £000	2005 £000
Freehold land and buildings	158	161
Short leasehold improvements	673	529
	831	690

The figures stated above include assets held under finance leases as follows :

	Motor vehicles £000	Plant, fixtures and equipment £000
Net book value at 31 December 2006	222	1,310
Net book value at 31 December 2005	188	1,278
Depreciation provided in the year	78	265

8 Stocks

	2006 £000	2005 £000
Goods for resale	7,673	5,174

9 Debtors

	2006 £000	2005 £000
Trade debtors	330	235
Other debtors	27	31
Amounts due from group undertakings	26	26
Amounts due from related parties (note 22)	346	-
Prepayments and accrued income	2,157	2,006
	2,886	2,298

10 Creditors : amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	12,493	9,760
Social security and other taxes	885	1,157
Other creditors	271	186
Corporation tax	637	2
Accruals and deferred income	1,216	836
Amounts due under finance leases	241	302
	15,743	12,243

11 Creditors : amounts falling due after more than one year

	2006 £000	2005 £000
Amounts owed to group undertakings	1,518	1,998
Amounts due under finance leases	252	150
	1,770	2,148

12 Borrowings

Finance leases due after more than one year are repayable as follows :

Finance leases	2006 £000	2005 £000
Within one year	241	302
After one and within five years	252	150
	493	452

No amounts are due after more than five years.

13 Provisions for liabilities and charges

	Deferred tax (note 14) £000	Reverse lease premiums £000	Total £000
At 31 December 2005	–	327	327
Inception of new reverse lease premiums	–	213	213
Charge/(release) to the profit and loss account	299	(84)	215
At 31 December 2006	299	456	755

14 Deferred taxation

Deferred taxation, which has been provided in full, is set out below .

	2006 £000	2005 £000
Accelerated capital allowances	412	-
Other timing differences	(113)	-
	299	-

15 Share capital

	31 December 2006 and 31 December 2005 £000
Authorised	
905,000 "A" ordinary shares of £1 each	905
95,000 "B" ordinary shares of £1 each	95
1,810,000 "C" ordinary shares of 50p each	905
	1,905
Allotted and fully paid	
905,000 "A" ordinary shares of £1 each	905
95,000 "B" ordinary shares of £1 each	95
1,810,000 "C" ordinary shares of 50p each	905
	1,905

16 Profit and loss account

	£000
At 31 December 2005	1,572
Profit for the year	2,427
At 31 December 2006	3,999

17 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2006 £000	10 months ended 31 December 2005 £000
Profit for the year	2,427	970
Opening shareholders' funds	3,477	2,507
Closing shareholders' funds	5,904	3,477

18 Financial commitments

Capital commitments

	2006 £000	2005 £000
Contracted	-	-

Operating leases

Annual commitments under non cancellable operating leases are as follows :

	31 December 2006		31 December 2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	–	60	–	1
In the second to fifth year inclusive	188	96	32	150
Over five years	4,100	–	2,961	14
	4,288	156	2,993	165

19 Contingent liabilities

There were no contingent liabilities as at 31 December 2006 or 31 December 2005.

20 Pension scheme

The company operates defined contribution schemes for employees and for directors. The pension cost for the year represents contributions payable by the company to each of the employees and directors funds There were no amounts outstanding at either year end.

21 Ultimate parent undertaking

The directors consider that at 31 December 2006 the ultimate parent company was Firesource Limited, registered in England and Wales. Firesource Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. The ultimate controlling parties are B Arora and S Arora.

22 Related party transactions

The company is exempt under the provisions of Financial Reporting Standard 8 from disclosing transactions with other group companies.

During the year the company made sales of £346,097 to Meltore limited, a company owned by B Arora and S Arora. The balance due by Meltore Limited at 31 December 2006 was £346,097.