Grant Thornton

Financial Statements
B & M Retail Limited

For the Year Ended 31 December 2008

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 R Arora S Arora A Colledge S Wakeman
Secretary :	S Arora
Bankers :	Barclays Bank PLC 51 Mosley Street Manchester M2 3HQ
Solicitors :	Gordons 14 Piccadilly Bradford BD1 3LX
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 2008.

Principal activity

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

Business review

There was a profit for the year after taxation amounting to £9,940,000 (2007 : profit £5,189,000). The directors declared a dividend during the year of Nil (2007 : £3,350,000), leaving a retained profit of £9,940,000 (2007 : £1,839,000) to be transferred to reserves.

During the year under review the company increased its turnover within its existing store estate. Customer footfall has increased, in line with the continued focus on its retail standards.

The company also grew from 49 stores to 89 stores over the year. It opened its first stores in Scotland and South Wales, all of which are trading satisfactorily. The directors believe the current property market presents attractive opportunities to expand store numbers.

The company continues to invest heavily in its infrastructure and the strength of its management team. The directors are confident the business is well placed to exploit the current market opportunities, albeit on a prudent and cautious basis.

The directors consider the company's key performance indicators ("KPI's") to be gross profit, operating profit and stock turnover. These KPIs can be calculated directly from the financial statements.

Directors

The directors in office during the year are shown below. All directors served on the Board throughout the year, except where indicated below :

S Arora
B Arora
S Wakeman
M Lanchbury (resigned 31/7/08)
A Colledge
R Arora (appointed 4/7/08)

S Arora, B Arora and R Arora are directors of Firesource Limited, the ultimate parent undertaking.

Qualifying third party indemnity provision

During the financial year, qualifying third party indemnity provisions for the benefit of the directors were in place.

Financial risk management

The company uses various financial instruments. These include parent company loans, finance company loans, cash, equity investment 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.

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. 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 exposure in this respect.

About 25% 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 undertaking 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's exposure to interest rate fluctuations on its borrowings is not considered material. The parent company loan does not attract any interest costs.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with 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 debts are made where appropriate.

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors 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; and
- 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.

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

11 May 2009

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 2008 which comprise the principal accounting policies, the profit and loss account, balance sheet and notes 1 to 24. 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 Report of the directors 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 Report of the directors 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 Report of the directors 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

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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

14 May 2009

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.

Going concern
At the year-end, the company had a cash balance of £5,018,000. As a discount retailer, the company is well placed to withstand the current economic conditions. The company's forecasts and projections taking into account reasonably possible changes in trading performance show that the company will trade within its current banking facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue its successful growth. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement
The company has taken advantage of the exemption from preparing a cash flow statement in accordance with FRS 1 (Revised) on the basis that the ultimate parent undertaking has prepared a consolidated cash flow statement.

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 :

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 date.

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.

Operating lease incentives are recognised on a straight-line basis, as a reduction of the rental expense over the shorter of the lease term and the period of the first rent review where market rentals will be payable.

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	2008 £000	2007 £000
Turnover – continuing activities		**255,860**	129,797
Cost of sales		**(181,371)**	(93,267)
Gross profit		**74,489**	36,530
Administrative expenses excluding store opening costs		**(59,494)**	(28,862)
Store opening costs		**(731)**	(302)
Total administrative expenses		**(60,225)**	(29,164)
Operating profit – continuing activities		**14,264**	7,366
Net interest	2	**(52)**	(32)
Profit on ordinary activities before taxation	1	**14,212**	7,334
Tax on profit on ordinary activities	5	**(4,272)**	(2,145)
Profit for the financial year	16	**9,940**	5,189

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

Balance sheet

	Note	2008 £000	2007 £000
Fixed assets			
Investments	6	**7**	7
Tangible assets	7	**13,238**	8,651
		13,245	8,658
Current assets			
Stocks	8	**35,836**	13,813
Debtors	9	**13,055**	4,021
Cash at bank and in hand		**5,018**	7,168
		53,909	25,002
Creditors: amounts falling due within one year	10	**(48,070)**	(24,587)
Net current assets		**5,839**	415
Total assets less current liabilities		**19,084**	9,073
Creditors : amounts falling due after more than one year	11	**(33)**	(152)
Provisions for liabilities and charges	13	**(1,368)**	(1,178)
Net assets		**17,683**	7,743
Capital and reserves			
Called up share capital	15	**1,905**	1,905
Profit and loss account	16	**15,778**	5,838
Shareholders' funds	17	**17,683**	7,743

The financial statements were approved by the Board of Directors on 11 May 2009 and signed on their behalf by :

S Arora Director

The accompanying notes form part of these financial statements.

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):

	2008 £000	2007 £000
Auditors' remuneration:		
Audit services	**28**	18
Non–audit services, taxation compliance	**7**	4
Depreciation:		
Tangible fixed assets, owned assets	**2,253**	1,383
Tangible fixed assets, assets on finance leases	**262**	308
Hire of plant and machinery	**476**	131
Other operating lease payments	**9,935**	5,409
Loss on sale of tangible fixed assets	**106**	21

The company has departed from the disclosure requirements of FRS3 in that it is not reporting the analysis of turnover and operating profit between continuing and acquired operations.

In the opinion of the directors, the company's approach to the integration and subsequent operation of retail units acquired, renders the FRS 3 analysis misleading and inappropriate

All activities in 2007 were continuing.

2 Net interest

	2008 £000	2007 £000
Interest on bank loans and overdrafts	**61**	42
Finance charges in respect of finance leases	**23**	37
	84	79
Interest receivable	**(32)**	(47)
	52	32

3 Dividends

An interim dividend was paid during the year ended 31 December 2008 of £Nil (2007: £3,350,000). The directors have not proposed a final dividend.

4 Directors and employees

Staff costs during the year were as follows :	2008 £000	2007 £000
Wages and salaries	27,733	14,102
Social security costs	1,689	853
Pension costs	45	49
	29,467	15,004

The average number of employees during the year was :	2008 Number	2007 Number
Sales and distribution staff	3,035	1,623
Administration	84	41
	3,119	1,664

Remuneration in respect of directors was as follows :

	2008 £000	2007 £000
Emoluments and benefits in kind	270	105

During the year no directors (2007 : Nil) participated in money purchase pension schemes.

Remuneration in respect of the highest paid director was as follows:

	2008 £000	2007 £000
Emoluments and benefits in kind	81	53

5 Tax on profit on ordinary activities

The tax charge represents :	2008 £000	2007 £000
United Kingdom corporation tax at 28.5% (2007 : 30%)		
– current year	**4,288**	2,085
– prior year	**6**	8
	4,294	2,093
Deferred tax		
– current year	**(22)**	83
– prior year	**–**	(6)
– decrease in tax rate	**–**	(25)
	4,272	2,145

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 28.5% (2007 : 30%). The differences are explained as follows :

	2008 £000	2007 £000
Profit on ordinary activities before taxation	**14,212**	7,334
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 28.5% (2007:30%)	**4,050**	2,200
Effect of:		
Expenses not deductible for tax purposes	**229**	140
Differences between capital allowances and depreciation	**35**	(58)
Other short term timing differences	**(26)**	(25)
Adjustment in respect of previous years	**6**	8
Group relief	**–**	(172)
	4,294	2,093

6 Investments

	£000
Cost and net book value	
At 31 December 2007 and 31 December 2008	**7**

The investment of £7,000 relates to investment in the NISA scheme.

7 Tangible fixed assets

	Land and buildings £000	Motor vehicles £000	Plant, fixtures and equipment £000	Total £000
Cost				
At 1 January 2008	2,193	1,234	15,553	18,980
Additions	802	1,387	4,951	7,140
Disposals	(11)	(144)	–	(155)
At 31 December 2008	**2,984**	**2,477**	**20,504**	**25,965**
Depreciation				
At 1 January 2008	1,130	599	8,600	10,329
Charge for the year	232	372	1,911	2,515
Disposals	(1)	(116)	–	(117)
At 31 December 2008	**1,361**	**855**	**10,511**	**12,727**
Net book amount				
At 31 December 2008	**1,623**	**1,622**	**9,993**	**13,238**
Net book amount				
At 31 December 2007	1,063	635	6,953	8,651

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:	**2008 £000**	2007 £000
Freehold land and buildings	**156**	156
Short leasehold improvements	**1,467**	907
	1,623	1,063

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 2008	65	882
Net book value at 31 December 2007	111	1,098
Depreciation provided in the year	47	215

8 Stocks

	2008 £000	2007 £000
Goods for resale	**35,836**	13,813

9 Debtors

	2008 £000	2007 £000
Trade debtors	**359**	180
Other debtors	**815**	27
Amounts due from group undertakings	–	123
Amounts due from related parties (note 24)	**3,962**	–
Prepayments and accrued income	**7,919**	3,691
	13,055	4,021

10 Creditors : amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	**34,950**	19,114
Social security and other taxes	**2,139**	1,333
Other creditors	**238**	162
Amounts owed to related parties	–	907
Amounts owed to group undertakings	**4,172**	–
Corporation tax	**2,183**	1,060
Accruals and deferred income	**4,267**	1,888
Amounts due under finance leases (note 12)	**121**	123
	48,070	24,587

11 Creditors : amounts falling due after more than one year

	2008 £000	2007 £000
Amounts due under finance leases (note 12)	**33**	152
	33	152

12 Borrowings

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

Finance leases	2008 £000	2007 £000
Within one year	**121**	123
After one and within five years	**33**	152
	154	275

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 1 January 2008	351	827	1,178
Inception of new leases	–	565	565
Transfer from Meltore Limited	11	–	11
Release to the profit and loss account	(22)	(364)	(386)
At 31 December 2008	**340**	**1,028**	**1,368**

14 Deferred taxation

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

	2008 £000	2007 £000
Accelerated capital allowances	**396**	432
Other timing differences	**(56)**	(81)
	340	351

15 Share capital

	£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 1 January 2008	5,838
Profit for the financial year	9,940
At 31 December 2008	**15,778**

17 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the year	**9,940**	5,189
Dividends	–	(3,350)
Retained profit for the financial year	**9,940**	1,839
Opening shareholders' funds	**7,743**	5,904
Closing shareholders' funds	**17,683**	7,743

18 Financial commitments

Capital commitments

	2008 £000	2007 £000
Contracted	–	–

Operating leases

Annual commitments under non cancellable operating leases are as follows :

	31 December 2008		31 December 2007	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	**83**	**104**	64	–
In the second to fifth year inclusive	**748**	**281**	665	90
Over five years	**10,685**	–	5,148	–
	11,516	**385**	5,877	90

19 Derivative financial instruments

The company incurs foreign currency risk on purchases that are denominated in US Dollars. The company uses forward exchange contracts to hedge a proportion of its foreign currency risk. All of the forward exchange contracts have maturities of less than one year from the balance sheet date. At 31 December 2008, the fair value of forward contracts (sell US$ and buy £) amounted to £Nil (asset) (2007 : £101,937 asset).

20 Acquisitions

Following the acquisition of the entire share capital of Meltore Limited by Firesource Limited (the company's ultimate parent company) on 1 January 2008, the trade and certain assets of Meltore Limited were transferred into the company at net book value.

	£000
Fixed assets	499
Stock	2,789
	3,288

21 Contingent liabilities

There were no contingent liabilities as at 31 December 2008 or 31 December 2007.

22 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.

23 Ultimate parent undertaking

The directors consider that at 31 December 2008 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.

24 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 £30,449,000 (2007: Nil) to Opus Homewares Limited, a company owned by B Arora and S Arora. The balance due from Opus Homewares Limited at 31 December 2008 was £3,962,000 (2007 : Nil).