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Grant Thornton

Financial Statements
B & M Retail Limited

For the Year Ended 31 December 2009

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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 LLP 14 Piccadilly Bradford BD1 3LX
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB

Index to the financial statements

Report of the directors

The directors present their report together with the financial statements for the year ended 31 December 2009

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 £24,552,000 (2008 profit £9,940,000) The directors have not recommended a dividend during the year (2008 £Nil), leaving a retained profit of £24,552,000 (2008 £9,940,000) 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 89 stores to 149 stores over the year and continues to open stores on a regular basis It now trades in Scotland, England, Wales and Northern Ireland All regions are trading well Customer awareness of the chain is improving as the company extends its geographic footprint 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

B Arora
R Arora
S Arora
A Colledge
S Wakeman

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

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 2006 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

Grant Thornton UK LLP having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

BY ORDER OF THE BOARD

S Arora
Secretary

5 MAY 2010

Grant Thornton

Independent auditor's report 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 2009 which comprise the principal accounting policies, the profit and loss account, balance sheet and the related notes 1 to 22 These financial statements have been prepared in accordance with the accounting policies set out therein The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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
As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Grant Thornton

Independent auditor's report to the members of B & M Retail Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

John Shinnick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
5 May 2010

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

Going concern
At the year-end, the company had a cash balance of £14,932,000 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at 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 lease 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	2009 £000	2008 £000
Turnover – continuing activities	1	**426,657**	255,860
Cost of sales		**(304,318)**	(181,371)
Gross profit		**122,339**	74,489
Administrative expenses excluding store opening costs		**(87,004)**	(59,494)
Store opening costs		**(1,321)**	(731)
Total administrative expenses		**(88,325)**	(60,225)
Operating profit – continuing activities		**34,014**	14,264
Net interest	2	**(165)**	(52)
Profit on ordinary activities before taxation	1	**33,849**	14,212
Tax on profit on ordinary activities	4	**(9,297)**	(4,272)
Profit for the financial year	15	**24,552**	9,940

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

Balance sheet

	Note	2009 £000	2008 £000
Fixed assets			
Investments	5	**7**	7
Tangible assets	6	**18,148**	13,238
		18,155	13,245
Current assets			
Stocks	7	**43,473**	35,836
Debtors	8	**22,268**	13,055
Cash at bank and in hand		**14,932**	5,018
		80,673	53,909
Creditors: amounts falling due within one year	9	**(53,474)**	(48,070)
Net current assets		**27,199**	5,839
Total assets less current liabilities		**45,354**	19,084
Creditors : amounts falling due after more than one year	10	**(633)**	(33)
Provisions for liabilities and charges	12	**(2,486)**	(1,368)
Net assets		**42,235**	17,683
Capital and reserves			
Called up share capital	14	**1,905**	1,905
Profit and loss account	15	**40,330**	15,778
Shareholders' funds	16	**42,235**	17,683

The financial statements were approved by the Board of Directors on 5 MAY 2010 and signed on their behalf by

S Arora Director

B & M Retail Limited
Company no. 01357507

The accompanying accounting policies and 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

	2009	2008
	£000	£000
Auditors' remuneration		
Audit services	23	28
Non–audit services, taxation compliance	6	7
Depreciation		
Tangible fixed assets, owned assets	3,150	2,253
Tangible fixed assets, assets on finance leases	556	262
Hire of plant and machinery	612	476
Other operating lease payments	15,127	9,935
Loss on sale of tangible fixed assets	16	106

2 Net interest

	2009	2008
	£000	£000
Interest on bank loans and overdrafts	112	61
Finance charges in respect of finance leases	67	23
	179	84
Interest receivable	(14)	(32)
	165	52

3 Directors and employees

Staff costs during the year were as follows	2009 £000	2008 £000
Wages and salaries	42,049	27,733
Social security costs	2,428	1,689
Pension costs	45	45
	44,522	29,467

The average number of employees during the year was	2009 Number	2008 Number
Sales and distribution staff	4,729	3,035
Administration	102	84
	4,831	3,119

Remuneration in respect of directors was as follows

	2009 £000	2008 £000
Emoluments and benefits in kind	321	270

During the year, no directors (2008 Nil) participated in money purchase pension schemes

Remuneration in respect of the highest paid director was as follows

	2009 £000	2008 £000
Emoluments and benefits in kind	128	81

4 Tax on profit on ordinary activities

The tax charge represents	2009 £000	2008 £000
United Kingdom corporation tax at 28% (2008 28 5%)		
– current year	9,502	4,288
– prior year	(412)	6
	9,090	4,294
Deferred tax		
– current year	48	(22)
– prior year	159	–
	9,297	4,272

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% (2008 28 5%) The differences are explained as follows

	2009 £000	2008 £000
Profit on ordinary activities before taxation	33,849	14,212
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 28% (2008 28 5%)	9,478	4,050
Effect of		
Expenses not deductible for tax purposes	272	229
Differences between capital allowances and depreciation	(47)	35
Other short term timing differences	–	(26)
Adjustment in respect of previous years	(412)	6
Income not taxable	(33)	–
Group relief	(168)	–
	9,090	4,294

5 Investments

	£000
Cost and net book value	
At 31 December 2008 and 31 December 2009	7

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

6 Tangible fixed assets

	Land and buildings £000	Motor vehicles £000	Plant, fixtures and equipment £000	Total £000
Cost				
At 1 January 2009	2,984	2,477	20,504	25,965
Additions	2,336	660	5,766	8,762
Disposals	(7)	(217)	(103)	(327)
At 31 December 2009	**5,313**	**2,920**	**26,167**	**34,400**
Depreciation				
At 1 January 2009	1,361	855	10,511	12,727
Charge for the year	665	520	2,521	3,706
Disposals	(1)	(168)	(12)	(181)
At 31 December 2009	**2,025**	**1,207**	**13,020**	**16,252**
Net book amount				
At 31 December 2009	**3,288**	**1,713**	**13,147**	**18,148**
Net book amount				
At 31 December 2008	1,623	1,622	9,993	13,238

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	**2009 £000**	2008 £000
Freehold land and buildings	**154**	156
Short leasehold improvements	**3,134**	1,467
	3,288	1,623

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 2009	**1,296**	**673**
Net book value at 31 December 2008	65	882
Depreciation provided in the year	324	232

7 Stocks

	2009 £000	2008 £000
Goods for resale	**43,473**	35,836

8 Debtors

	2009 £000	2008 £000
Trade debtors	**125**	359
Other debtors	**63**	815
Amounts due from group undertakings	**8,286**	–
Amounts due from related parties (note 22)	**436**	3,962
Prepayments and accrued income	**13,358**	7,919
	22,268	13,055

9 Creditors : amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	**33,428**	34,950
Social security and other taxes	**4,539**	2,139
Other creditors	**399**	238
Amounts owed to group undertakings	**2,354**	4,172
Corporation tax	**6,252**	2,183
Accruals and deferred income	**6,050**	4,267
Amounts due under finance leases (note 11)	**452**	121
	53,474	48,070

10 Creditors : amounts falling due after more than one year

	2009 £000	2008 £000
Amounts due under finance leases (note 11)	**633**	33
	633	33

11 Borrowings

Finance leases are repayable as follows

Finance leases	2009 £000	2008 £000
Within one year	452	121
After one and within five years	633	33
	1,085	154

No amounts are due after more than five years

12 Provisions for liabilities and charges

	Deferred tax (note 13) £000	Reverse lease premiums £000	Total £000
At 1 January 2009	340	1,028	1,368
Inception of new leases	–	1,481	1,481
Charge/(release) to the profit and loss account	207	(570)	(363)
At 31 December 2009	547	1,939	2,486

13 Deferred taxation

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

	2009 £000	2008 £000
Accelerated capital allowances	547	396
Other timing differences	–	(56)
	547	340

14 Share capital

	2009 £'000	2008 £000
Authorised		
905,000 "A" ordinary shares of £1 each	905	905
95,000 "B" ordinary shares of £1 each	95	95
1,810,000 "C" ordinary shares of 50p each	905	905
	1,905	1,905
Allotted and fully paid		
905,000 "A" ordinary shares of £1 each	905	905
95,000 "B" ordinary shares of £1 each	95	95
1,810,000 "C" ordinary shares of 50p each	905	905
	1,905	1,905

15 Profit and loss account

	£000
At 1 January 2009	15,778
Profit for the financial year	24,552
At 31 December 2009	**40,330**

16 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	**24,552**	9,940
Opening shareholders' funds	**17,683**	7,743
Closing shareholders' funds	**42,235**	17,683

17 Financial commitments

Capital commitments

	2009 £000	2008 £000
Contracted	**1,260**	–

Operating leases

Annual commitments under non cancellable operating leases are as follows

	31 December 2009		31 December 2008	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	**697**	**234**	83	104
In the second to fifth year inclusive	**3,541**	**389**	748	281
Over five years	**9,751**	–	10,685	–
	13,989	**623**	11,516	385

18 Derivative financial instruments

The company incurs foreign currency risk on purchases that are denominated in US Dollars The company uses forward exchange contracts and foreign exchange options 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 2009, the fair value of forward contracts (buy US$ and sell £) amounted to £483,310 (asset) (2008 £Nil asset) All of the foreign exchange options have maturities of less than one year from the balance sheet date At 31 December 2009, the fair value of foreign exchange options amounted to £551,187 (asset) (2008 £Nil asset)

19 Contingent liabilities

There were no contingent liabilities as at 31 December 2009 or 31 December 2008

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 2009 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 £58,606,679 (2008 £30,449,000) to Opus Homewares Limited, a company owned by B Arora and S Arora Opus Homewares Limited made recharges of £442,805 (2008 £Nil) to B & M Retail Limited in respect to freight charges incurred on their behalf The balance due from Opus Homewares Limited at 31 December 2009 was £435,656 (2008 £3,962,000)