

Financial statements B&M Retail Limited

For the period from 27 March 2016 to 25 March 2017

Company Number: 01357507

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Company information

Company registration number	01357507
Country of incorporation	England and Wales
Registered office	The Vault Dakota Drive Estuary Commerce Park Speke Liverpool Merseyside L24 8RJ
Directors	S Arora B Arora R Arora P McDonald
Secretary	S Arora
Bankers	Barclays Bank Plc 3 Hardman Street Spinningfields Manchester M3 3HF
Solicitors	Gordons LLP Forward House 8 Duke Street Bradford West Yorkshire BD1 3QX
Auditor	KPMG LLP Statutory Auditor 1 St Peter's Square Manchester M2 3AE

Contents

Strategic report	4
Report of the directors and statement of directors' responsibilities	10
Independent auditor's report to the members of B&M Retail Limited	13
Statement of comprehensive income	14
Statement of financial position	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the financial statements	18

Strategic Report

Business review

During the period under review the company has continued to deliver a strong financial performance. The directors believe that B&M stores offer a compelling customer proposition, combining leading brand, fast-moving consumer goods at attractive prices with a strong non-grocery product offering that together deliver sensational value to our customers.

The UK retail market is broadly split into two main segments, grocery retailers and specialist retailers and the company's positioning allows it to compete across both segments. The company has several core categories that it focuses on within each segment including ambient grocery products, home products and seasonal product areas such as gardening and toys.

We have continued to make good progress on our three main strategic priorities:

- Deliver great value to our customers. We sell a wide but disciplined range at everyday low prices which are consistently below those offered by specialists and general retailers, but we only focus on best selling products. This disciplined approach to ranging is integral to the efficiency of the business model and supports our highly competitive pricing position. Our success in this category is measured by our overall revenue growth of 18.4% and our like-for-like¹ sales growth of 3.1%.
- Expansion of the store estate. The company has a strong commitment to continue to roll out new stores in the UK, and a review of our catchment areas has lead us to uplift our long term target from 850 to 950 stores. In the period ended 26 March 2017 we have opened 53 (net 38) stores and at the end of this period the company now trades from 537 stores. B&M has a proven track record of being able to identify new and profitable store locations across a wide geographical base in England, Scotland, Wales and Northern Ireland, and the directors plan to continue this roll out and believe that the current property market continues to present attractive opportunities to expand the number of stores.
- Continued investment in our people and infrastructure. During the period under review we have strengthened our Supply Chain team with the appointment of Andy Monk as UK Supply Chain Director, and we have continued to invest in other key functions across our business, creating approximately 2,200 new jobs. We have also invested £12.7m in maintenance capital expenditure as part of our rolling programme of continuous investment during 2016/17.

Financial performance

The directors consider a range of performance indicators, including revenue growth, like-for-like revenue, gross margin percentage, EBITDA, net new store openings and stock turn. As EBITDA is a non-IFRS measure, we have provided a reconciliation below.

	52 weeks to 25 Mar-17 £'000	52 weeks to 26 Mar-16 £'000
Operating profit	197,899	168,002
Depreciation	21,845	17,460
Amortisation	432	308
EBITDA	220,176	185,770

¹ Like-for-like revenues includes each store's revenue for that part of the current period that falls at least 14 months after it opened; and it is compared with its revenue for the corresponding part of the previous period. This 14 month approach has been taken as it excludes the two month halo period, which new stores experience following opening.

Strategic Report

Revenues for the period to 25 March 2017 were £2,252.3m and for the period to 26 March 2016 were £1,902.6m, an increase of 18.4%. This was driven by the growth of the estate, both through the annualisation of new stores opened in the prior year and the net 38 stores opened in the current year, as well as the 3.1% like for like growth.

The gross profit for the period to 25 March 2017 was £779.3m (after adjusting for the effects of derivatives, £1.5m, see segmental gross profit in note 2) and for the period to 26 March 2016 was £652.8m, an increase of 19.4%. The adjusted gross margin percentage improved in the current year to 34.6% from 34.3% (unadjusted: 34.5% from 34.3%). The company maintains a diversified product mix in stores to avoid excessive reliance on any particular product category, which helps maintain the gross profit stability.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2017 was £220.2m and for 2016 was £185.8m, an increase of 18.5%.

Tangible capital expenditure in the period to 25 March 2017 was £41.8m (prior 52 week period: £50.0m). Significant investments were made supporting the new store roll out programme with the addition of a net 38 stores (63% of overall capital expenditure) (2016: 74 and 73%).

Corporate social responsibility

The company recognises that it has a responsibility to ensure that its business is conducted in a socially responsible manner, resulting in a high standard of social and environmental behaviour. At the heart of this and underpinning our aim to deliver value for money to our customers day-in, day-out is a passion for reducing waste and unnecessary consumption wherever we can, to keep costs down and at the same time ensure that we have as sustainable and environmentally friendly business as possible.

Our Corporate Social Responsibility strategy focuses on the following areas; the environment, our suppliers, health and safety. Our colleagues and members of the executive management team have responsibility for each of these areas and they form regular agenda items at our board meetings.

Environment

As a retailer we recognise that our supply chain and operations will impact the environment and that we have a corporate responsibility to minimise impacts both now and in the future. Our business model is relatively simple and we focus on the recycling of product packaging, minimising the overland deliveries of our direct imported products, reducing our electricity usage and improving our fuel efficiencies to help minimise the impact of our business on the environment.

In terms of waste recycling we self-sort over 60% of all waste produced by our warehouses and store network, with over 99% being recycled. We have also seen a reduction of carrier bag usage during the year following the introduction of the carrier bag levy and we have set up internal processes to distribute the cash proceeds from the levy to charitable organisations that includes the consultation of our colleagues across the business. In the financial year 2016/17 we donated over £960k to a range of charities including children's hospitals, hospices, air ambulance and educational and arts trusts, often being at a regional level in different parts of the UK as well as some national charities.

In terms of emissions, we monitor and report our Greenhouse gas emissions through our Group consolidated accounts. In the UK we measure an intensity ratio (Tonnes of CO₂ per £'m revenue) for our emissions which showed a 9.6% decrease over the year (49.6 against 54.9).

We have a number of on-going initiatives to reduce our carbon footprint;

- As we purchase new cars for our company car fleet, we are moving to either hybrid or low emission cars. 51% of our car fleet are now hybrid models. We plan to increase this level by a further 10-15% as company cars become due for replacement.
- On our directly imported merchandise from the Far East, we use slow steamer container ships which are more environmentally friendly.

Strategic Report

- Our warehouses are based in the North West of England and approximately 70% of goods are shipped to the Port of Liverpool reducing the need to have overland transport from the more traditional ports in the South of England.
- In our stores we continue to invest in energy efficient LED lighting.
- We continue to upgrade our transport fleet and we have recently placed an order for delivery of new HGV tractor units that have the latest fuel efficient engines.
- Similarly we have been investing in a fleet of double deck trailers to maximise transport utilisation and therefore minimise distribution mileage travelled.
- We are also introducing a new transport scheduling system to optimise routes and reduce mileage.

Suppliers

We aim to have long standing relationships with our suppliers, treat them with respect and keep our dealings with them as simple as possible since we believe that it is in our commercial interests to operate in this manner. We like to have simple, transparent net prices and minimise the use of rebates and retrospective discounts and we only account for any income once the agreement period has ended. We operate using a standard set of terms and conditions and provided the goods meet relevant quality and safety standards we will pay the supplier within the agreed payment terms and our import suppliers are normally paid in advance of the goods arriving in the UK.

Additionally our reputation is important both in terms of ensuring our products are safe and fit for sale and that the factories we use comply with local laws and regulations so that our customers can rely upon the safety, quality and integrity of the products they buy from us.

In relation to anti-slavery and human trafficking, we prohibit slavery, forced labour and human trafficking of any kind in relation to our business and supply chain. We support the promotion of ethical business practices and policies to protect workers from any kind of abuse or exploitation in relation to our business and supply chain.

In the last year we have taken the following steps in relation to our policy on anti-slavery and human trafficking:

- We have communicated our workplace policy statement to our suppliers, sourcing agents and employees, which sets out the standards and principles which we expect our suppliers and employees to adhere to in relation to our supply chain.
- We have revised our standard terms and conditions of purchase making it a condition that our suppliers adhere to our workplace policy standards, which enhances the profile and importance of the principles and standards we required them to agree to as a condition of their trading relationships with us.

A copy of the Group's anti-slavery policy statement and our Workplace Policy are available under the Corporate Responsibility section of our websites at www.bmstores.co.uk and www.bandmretail.com. More detail can also be found in the Corporate Social Responsibility section of the Group's Annual Report, available on the same websites.

Health and safety

The Board has responsibility for ensuring health and safety compliance. There are a number of key performance indicators which form part of our regular Board reporting pack, including reporting the number of accidents and those that are subsequently reported to the Health and Safety Executive the latter being 119 in the year at an average of 0.2 per store (2016: 46, 0.1), which should be seen in the context of 196 million shopper visits per annum (2016: 174m).

We have a dedicated health and safety team of qualified professionals who are responsible for ensuring that we comply with the current statutory requirements and that our health and safety policy is communicated to all our colleagues.

We take the welfare of our customers and employees very seriously at all times. We are therefore committed to ensuring that our business has appropriate health and safety standards across our store estate, as well as our warehouses and offices, such that our customers and employees can shop and work in a safe environment.

Strategic Report

Colleagues

Our people and our teams make the difference within our business and our stores are popular and busy places to work. Working at our stores is demanding but we try to make it a fun and enjoyable experience for all our colleagues. We strive to ensure that all colleagues are treated fairly and with respect, that no colleague is discriminated against on grounds of gender, race, colour, religion, disability, or sexual orientation and that B&M is recognised as a great place to work.

In the year we have created over 2,200 new jobs and with our continued store roll out plans for the years ahead we will continue to create jobs in various communities in the UK where those new store openings take place.

Our apprenticeship programme across our UK stores now has over 350 colleagues enrolled. We also have a successful initiative focused on getting the long term unemployed back into work. In the year under review, 96 long term unemployed people secured a role with B&M. We develop our own talent from within whenever we can, under our Step-Up programme. In this programme we encourage our store colleagues to put themselves forward to progress to deputy and store manager positions

We reward our store management teams through an annual bonus scheme and we also run regular incentive schemes to drive performance and excite the teams. B&M also has a share incentive plan which is open to all employees after 12 months service to take up the opportunity to participate in the future success of the Group.

We communicate to our teams through our newsletter, "The B&M Standard", with updates on business strategy, new stores, new products and the work of our support centre teams.

The National Living Wage was introduced in April 2016 and we have included the impact of it in our business model and plans. We have seen some increase in store wage costs which we have absorbed and made some productivity improvements to mitigate the overall impact.

Under our equal opportunities policy we recognise and actively encourage the benefits of having a diverse workforce across our business, with the overall level of female staff at 55%, and 33% of senior management.

	Directors	Senior Management	All Staff
Male	4	14	11,076
Female	0	7	13,369

Community

We are keen to ensure that B&M plays an important part in the life of the places where we trade. We have an internal team to manage the distribution of the proceeds of the carrier bag levy to a variety of local (as well as national) worthy causes as referred to above. This helps us to build relationships within communities where we operate our stores and our store colleagues' work and live. When we open a new store we like to try and find a 'local hero' as a member of the local community known for their charitable or other work in the community, to perform the ribbon cutting ceremony on the opening day, to support their good work within the local community.

At a regional and national level we are proud sponsors of 'Mission Christmas', an initiative run by Cash4Kids, a children's charity. In addition to sponsorship funding, our stores in participating towns act as collection points for toys and gifts to be distributed to underprivileged children at Christmas. The appeal, in which we play an important part, was able to distribute more than £15m of gifts and vouchers in Christmas 2016.

Strategic Report

Risk management objectives and policies

The responsibility for risk management and the internal control environment resides with the board of directors and the senior management team implements and maintains the control systems adopted by the board.

The risks detailed below are the principal risks and uncertainties that may impact the company achieving its strategic objectives, the list does not include all of the risks faced by the company nor does it list the risks in any order of priority.

Competitive environment – The business operates in a highly competitive retail market and as such monitors competitors pricing and product offerings on a continual basis. We also develop new product ranges to identify new market opportunities to target new customers. The level of this risk has not changed during the year.

Economic environment – The business is subject to the prevailing macro-economic conditions in the UK. We mitigate the risk by offering several price points and utilising effective forecasting to allow us to act as appropriate to the current and anticipated economic conditions. Our low cost business model also allows us to maintain a price advantage which enables the business' sales to remain robust irrespective of the overall economic conditions. The level of this risk has remained the same during the year.

IT Systems, Cyber Security and Business Continuity – The business relies on key IT systems and any major incident would have a detrimental impact on the company's ability to operate efficiently. We mitigate this by maintaining industry standard third party maintenance contracts and ensuring that any technology investments are fit for purpose. We also have a disaster recovery strategy. IT Security is monitored at Board level and we perform penetration testing and ensure that our security software is up to date. The level of this risk has increased during the year due to the increase in scale and sophistication of cyber attacks.

Regulation & Compliance – The business is exposed to regulatory and legislative requirements including; those around the import of goods, the Bribery Act, the Modern Slavery act, health & safety, employment law, data protection and those around protection of the environment. As such the business has implemented a comprehensive set of policies, including a code of conduct for employees and a whistle blowing line. Senior staff are responsible for identifying and managing new legislation and the Group has an Internal Audit function and General Counsel to assist in these functions. The level of this risk has fallen during the year as new anti-bribery and corruption measures have been issued to buyers and suppliers.

Credit risk and liquidity – The business carries out a significant amount of trade in US Dollars, and is therefore exposed to any currency volatility. We have a treasury policy in place which covers the hedging of exchange rates, as well as the management of surplus cash, which is not seen as a principal risk in itself due to the cash generative nature of the business and comfortable banking facilities held with the bank. During the year we have increased the level of hedging cover from 6 months to 12 as the level of the risk has increased due to the volatility witnessed following the referendum on the UK's exit from the European Union.

Commodity Prices – Escalation of costs within the supply chain arising i.e. from increased raw materials and wage costs. Additionally increased fuel and energy costs could impact distribution and the store and warehouse overhead base. We bring forward costs on freight rates, energy and currency to mitigate volatility whilst wage increases are offset (where possible) by productivity improvements. Forecasts and projections include the impact of known issues, such as the impact of the National Living Wage, and the company's strategic planning takes account of these effects. The level of this risk has not changed during the year.

Supply Chain – The lead times in the supply chain could lead to a greater risk in buying decisions and potential loss of margins through higher markdowns. Disruption to the supply chain could lead to reputational damage and a risk that consumers may be harmed. The company has an experienced sourcing team that manages an efficient and effective supply chain, which includes a range of alternative supply sources without over-reliance on any single supplier. Factory visits are also performed to help maintain standards. The level of this risk has not changed during the year.

Strategic Report

Stock Management – Ineffective controls over the management of stock could impact on the achievement of our gross margin objectives. Lack of product availability could impact on working capital and cashflows. We mitigate this by having a highly disciplined SKU count by season, with regular mark down action on slow moving product lines. Initial stock orders do not exceed around 14 weeks of forecast sales and action is taken after 4 weeks of trading. Regular reviews take place to ensure consistent levels of stock cover. The level of this risk has not changed during the year.

Infrastructure – If we suffered the loss of a warehouse facility then it would impact short/medium term trading and could materially impact the profitability of the business. Forward plans are in place for additional warehousing capacity to support the new store opening programme and the business maintains adequate business interruption insurance. This risk has increased during the year as the store expansion has continued, meaning a larger number of stores and customers would be affected by any such outage.

Key Management Reliance – The Group is reliant on the high quality and ethos of the executive team as well as strong management and operational teams. These individuals are appropriately incentivised and the composition of the management team is kept under constant review to ensure it is appropriate to delivery of the company's strategic plan. The level of this risk has remained the same during the year.

Store Expansion – The ability to identify suitably profitable new store locations is key to delivering our growth plans. The CEO actively monitors the availability of retail space with the support of internal and external property acquisition consultants whilst the flexibility of our format also allows us to take advantage of a range of store sizes and locations. Where new locations may impact on existing locations the cannibalisation effects are estimated and then monitored to ensure that an overall benefit to the Group is realised. The level of this risk has remained the same during the year.

UK Exit from the European Union – This is a new risk that has arisen as a result of the referendum in June 2016. The potential impacts are around the economic & regulatory environment, including any effects on the import of goods, the cost of labour and currency volatility. This latter issue has been mitigated via our hedging programme as discussed in the credit risk category. The more fundamental changes are yet to be determined with negotiations at a very early stage and as such management will continue to monitor developments and understand the interpretations with respect to the impact on the business, and then act accordingly.

ON BEHALF OF THE BOARD



P McDonald
Director
17 July 2017

B&M Retail Limited
The Vault
Dakota Drive
Estuary Commerce Park
Speke
Liverpool
Merseyside
L24 8RJ

Report of the Directors

The directors present their report together with the financial statements for the period from 27 March 2016 to 25 March 2017. The accounts are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The ultimate parent of the company is B&M European Value Retail S.A., a company which is listed on the London Stock Exchange.

Principal activity

The principal activity of the company is that of discount retailer, based in the UK.

Directors

The directors in office during the period are shown below. All directors served on the board throughout the period:

S Arora
B Arora
R Arora
P McDonald

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors, the strategic report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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.

Report of the Directors

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Disabled employee policy

In the event of an employee becoming disabled, every effort is made to continue their employment and having due regard to their aptitude and abilities, opportunities are given for retaining or deployment wherever possible.

Equal opportunities policy

The company is committed to ensuring equal opportunities in the workplace for all its employees. One of the key aims of the policy is that the company can provide a working environment in which employees feel comfortable and assured that they will be treated with dignity and respect.

We are committed to ensuring all employees are treated equally and fairly irrespective of their sex, race, colour, creed, marital status, sexual orientation, age or disability.

This equal opportunities policy applies to the company recruitment and selection procedures, employees' terms and conditions of employment including pay, opportunities for promotion, transfer and training, general treatment at work, disciplinary and grievance procedure and termination of employment.

All employees have a responsibility to apply this principle in practice.

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.

Financial risk management

Financial risk disclosures have been reported within the strategic report as they are considered to be of strategic significance.

Dividends

In June 2016, November 2016 and March 2017 dividends were declared totalling £41.0m, £19.75m and £39.0m respectively. See note 24.

Report of the Directors

Future developments

The company is expected to continue adopting the strategy as outlined in the following Strategic Report.

Auditors

During the year the company's prior auditors, Grant Thornton UK LLP, resigned and KPMG LLP were appointed.

A resolution to re-appoint KPMG LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD



P McDonald
Director
17 July 2017

B&M Retail Limited
The Vault
Dakota Drive
Estuary Commerce Park
Speke
Liverpool
Merseyside
L24 8RJ



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 period ended 25 March 2017 set out on pages 14 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10 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, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 25 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.

Nicola Quayle

Nicola Quayle (Senior Statutory auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

18 July 2017

Statement of Comprehensive Income

	Note	52 weeks to 25 March 2017 £'000	52 weeks to 26 March 2016 £'000
Revenue	2	2,252,265	1,902,557
Cost of sales		(1,474,480)	(1,249,782)
Gross profit		777,785	652,775
Administrative expenses		(579,886)	(484,773)
Operating profit	3	197,899	168,002
Finance costs	4	(5)	(51)
Finance income	4	112	170
Profit before tax		198,006	168,121
Income tax expense	7	(37,338)	(27,887)
Profit for the period		160,668	140,234
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Fair value movement as recorded in the hedging reserve		(1,666)	-
Tax effect of other comprehensive income		376	-
Total comprehensive income for the period		159,378	140,234

All of the activities of the company are classed as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Financial Position

		25 March 2017 £'000	26 March 2016 £'000
	Note		
Non-current assets			
Intangible assets	8	4,263	2,000
Property, plant and equipment	9	134,915	116,047
Other receivables	11	2,412	2,771
Deferred tax asset	7	359	13
		<u>141,949</u>	<u>120,831</u>
Current assets			
Cash and cash equivalents	12	155,849	87,620
Inventories	10	411,196	315,462
Trade and other receivables	11	142,287	174,067
Other financial assets	14	349	4,769
		<u>709,681</u>	<u>581,918</u>
Total assets		<u>851,630</u>	<u>702,749</u>
Equity			
Share capital	16	(1,905)	(1,905)
Retained earnings		(502,120)	(440,467)
Hedging reserve		1,350	-
		<u>(502,675)</u>	<u>(442,372)</u>
Non-current liabilities			
Provisions	15	(739)	(1,881)
Other payables	13	(75,909)	(65,533)
Deferred tax liabilities	7	(1,107)	(1,559)
		<u>(77,755)</u>	<u>(68,973)</u>
Current liabilities			
Trade and other payables	13	(244,475)	(175,004)
Other financial liabilities	14	(2,070)	(370)
Income tax payable		(19,786)	(11,261)
Provisions	15	(4,869)	(4,769)
		<u>(271,200)</u>	<u>(191,404)</u>
Total Liabilities		<u>(348,955)</u>	<u>(260,377)</u>
Total equity and liabilities		<u>(851,630)</u>	<u>(702,749)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 July 2017 and signed on their behalf by:

P McDonald

P McDonald

Director

Company registration number: 01357507

Statement of Changes in Equity

	Share capital £'000	Retained earnings £'000	Hedging Reserve £'000	Total Shareholders' equity £'000
Balance at 28 March 2015	1,905	332,233	-	334,138
Total comprehensive income for the 52 weeks to 26 March 2016	-	140,234	-	140,234
Dividends paid to owners of the company	-	(32,000)	-	(32,000)
Balance at 26 March 2016	1,905	440,467	-	442,372
Total comprehensive income for the 52 weeks to 25 March 2017	-	160,728	(1,350)	159,378
Dividends paid to owners of the company	-	(99,750)	-	(99,750)
Effect of share options	-	675	-	675
Balance at 25 March 2017	1,905	502,120	(1,350)	502,675

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Cash Flows

Period ended		25 March 2017 £'000	26 March 2016 £'000
	Note		
Cash flows from operating activities			
Cash generated from operations	21	203,068	167,019
Movement in intercompany balances		36,968	(29,799)
Income tax paid		(29,235)	(23,212)
Net cash flows from operating activities		210,801	114,008
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(41,798)	(49,991)
Purchase of intangible assets	8	(2,695)	(1,769)
Proceeds from sale of property, plant and equipment		1,564	520
Interest received		112	170
Net cash flows from investing activities		(42,817)	(51,070)
Cash flows from financing activities			
Interest paid		(5)	(51)
Dividends paid to owners of the company	24	(99,750)	(32,000)
Net cash flows from financing activities		(99,755)	(32,051)
Net increase in cash and cash equivalents		68,229	30,887
Cash and cash equivalents at the beginning of the period		87,620	56,733
Cash and cash equivalents at the end of the period		155,849	87,620
Cash and cash equivalents comprise:			
Cash at bank and in hand	12	155,849	87,620
		155,849	87,620

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRSs as adopted by the European Union.

The principal activity of the company is that of discount retailer, based in the UK.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The measurement basis and principal accounting policies of the company are set out below and have been applied consistently throughout the financial statements, except that in the current period a policy of applying hedge accounting for qualifying foreign exchange derivatives has been adopted, and therefore a hedging reserve has been recognised for the first time. An accounting policy for financial instruments is set out below.

The ultimate parent undertaking of the company throughout the period and the prior year was B&M European Value Retail S.A. who are listed on the London Stock Exchange.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

Going concern

As a discount retailer, the company is well placed to withstand any volatility in economic conditions including the direct and indirect impacts emanating from the proposed British exit from the European Union that will unfold over the coming months. The company's forecasts and projections, taking into account reasonably possible changes in trading performance for the foreseeable future, show that the company will trade within its current financing facilities, which are held by the Group as a whole and expire in 2021 and 2022.

After making enquiries, the directors are confident 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.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is the total amount receivable by the company for goods supplied, in the ordinary course of business excluding VAT and trade discounts, returns and relevant vouchers and offers. Store retail turnover is recognised at the initial point of sale of goods to customers, when the risks and rewards of the ownership of the goods have been transferred to the buyer.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive directors of the company. The executive directors are responsible for assessing the performance of the business for the purpose of making decisions about resources to be allocated.

Notes to the financial statements

Intangible assets

Intangible assets acquired separately, comprising computer software and brands, are measured on initial recognition at cost comprising the purchase price and any directly attributable costs of preparing the asset for use.

Following initial recognition, assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost of the asset over its estimated useful life as follows:

Computer software acquired	-	4 years
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Brands are considered by management on a case by case basis, with reference to the underlying length of the licence as a limiting factor, and may be assigned an indefinite life, in which case they will not be amortised but instead tested for impairment at each year end. See note 8.

Amortisation is included in administrative expenses.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises purchase price and directly attributable costs. Unless significant or incurred as part of a refit programme, subsequent expenditure will usually be treated as repairs or maintenance and expensed to profit and loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Freehold land is not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight line basis to allocate cost, less residual value of the assets, over their estimated useful lives as follows.

Depreciation

Depreciation is provided on all other items of property, plant and equipment and the effect is to write off the carrying value less their residual values of items by equal instalments over their expected useful economic lives. It is applied at the following rates.

Leasehold land and buildings	-	Life of lease
Freehold buildings	-	2% Straight line
Plant, fixtures and equipment	-	10% - 25% straight line
Motor Vehicles	-	20% - 25% straight line

Residual values and useful lives are reviewed annually and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

Notes to the financial statements

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets of the arrangement conveys a right to use the asset or assets even if that right is not explicitly specified in an arrangement, i.e. whether the risks and rewards of ownership have been transferred.

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset, or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of comprehensive income over the period of the lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease and are referred to in our accounts as reverse lease premiums.

Onerous Leases

The company carries a property provision which is recognised on specific sites within the company's leasehold property portfolio where an exit can be reasonably expected to occur, and a lease is considered onerous.

A lease is considered onerous when the economic benefits of occupying the leased properties are less than the obligations payable under the lease.

The amount held covers any costs expected to accrue before the end of the contract, netted against any income, as well as a portion related to any dilapidation expense which may arise.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. An average cost methodology is used to measure the cost. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

Share options

The company participates in share option schemes operated by the Group, with the first such scheme commencing in August 2014.

The schemes have been accounted for under the provisions of IFRS 2, and accordingly have been fair valued on their inception date using appropriate methodology (the Black Scholes and Monte Carlo models).

A cost is recorded through the income statement in respect of the number of options outstanding and the fair value of those options. A corresponding credit is made to the retained earnings reserve and the effect of this can be seen in the statement of changes in equity.

Notes to the financial statements

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the UK. Tax is recognised in the income statement.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The company had £359k (2016: £13k) of deferred tax assets at the period end. Management has determined that when these items become available for tax purposes the company will have sufficient profit to be able to enable them to be used. Therefore the deferred tax assets have been recognised. See note 7.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Financial instruments

The company has altered its policy on financial instruments since the prior year end, with the intention of applying hedge accounting to qualifying derivatives. The new policy is as follows, and this has been in place since the start of the financial year.

The company uses derivative financial instruments such as forward currency contracts, fuel swaps and interest rate swaps to reduce its foreign currency risk, commodity price risk and interest rate risk. Derivative financial instruments are recognised at fair value. The fair value is derived using an internal model and supported by valuations by third party financial institutions.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement. Effectiveness of the derivatives subject to hedge accounting is assessed at inception of the derivative, when the derivative matures and at each reporting period end date between.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Notes to the financial statements

Financial assets

Initial recognition and measurement

The classification of financial instruments is determined at initial recognition. The company has the following types of financial assets; trade and other receivables and cash, which are classified within the IAS 39 definition of loans and receivables, and derivative contracts which are classified within the IAS 39 definition of fair value through profit and loss. All financial assets are recognised when the company becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value plus transaction costs other than for financial assets carried at fair value through profit or loss.

The company does not have any held-to-maturity or available-for-sale financial assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation and the losses arising from impairment are recognised in profit and loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired and the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full and either (a) the entity has transferred substantially all the risks and rewards of the asset, or (b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment, such as an adverse external valuation, or a significant diminution in measurable output, as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the company. Gains or losses on liabilities held-for-trading are recognised in profit and loss.

Notes to the financial statements

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Fair value of financial instruments

The fair value of financial instruments is determined by reference to mark-to-market quotations obtained from the relevant bank (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Interest

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in profit and loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Retained earnings" represents retained profits.
- "Hedging reserve" representing the fair value of the derivatives held by the Group at the period end that are accounted for under hedge accounting and that represent effective hedges.

Foreign currency translation

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Pension costs

The company operates a defined contribution scheme and contributions are charged to profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are discounted when the time value of money is considered to be material.

Notes to the financial statements

Property provision

In respect of leased properties, where economic benefits from occupying the leased properties are less than the obligations payable under the lease, a provision is made for the present value of the estimated future cash outflows for each lease. The provision unwinds on a systematic basis. The provision is reviewed on a regular basis. See note 15.

Insurance Liability Claims

The company has a number of small items relating to disputes over insurance liability claims. Advice has been sought from the company's insurers as to the potential outcome in each case and management has taken the view that it is prudent to provide for this amount in the accounts. There are no claims which could be considered individually significant and the average claim is for £8.3k (2016: £7.5k). See note 15.

Standards and Interpretations applied and not yet applied by the company

New and amended standards and interpretations adopted by the company

The following amendments to accounting standards and interpretations, issued by the International Accounting Standards Board (IASB), have been adopted for the first time by the company in the period with no significant impact on its consolidated results or financial position:

- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 1 'Disclosure Initiative'
- Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation'
- Amendments to IAS 27 'Equity method in separate financial statements'

IFRS 9 'Financial Instruments' will be applicable after 1 January 2018. This standard will simplify the classification of financial assets for measurement purposes, but it is not anticipated to have a significant impact on financial statements.

IFRS 15 'Revenue from contracts with customers' will be applicable after 1 January 2018. This standard applies to all contracts with customers except those that are financial instruments, leases or insurance contracts and will result in increased disclosure requirements, but is not expected to have a significant impact on the financial statements.

IFRS 16 Leases will be applicable after 1 January 2019. This standard will significantly affect the presentation of the company financial statements with all leases apart from short term leases being recognised as on-balance sheet finance leases with a corresponding liability being the present value of lease payments. The company is currently considering the implications of IFRS 16 on the company's results and financial position.

The company does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

Notes to the financial statements

2 Segmental information

For management purposes, the company has one reportable operating segment, being the retail segment. The corporate balances have been included below to allow reconciliation to the primary statements. No operating segments have been aggregated to form the reportable operating segment.

The executive directors monitor the operating results of the retail segment for the purpose of making decisions about resource allocation and performance assessment. The segment includes all of the company's store activity and inventory, although the property plant and equipment are considered to be managed centrally and are therefore excluded.

The company's financing (including finance costs and finance income) and income taxes are managed on a company wide basis.

52 week period ended 25 March 2017	Retail £'000	Corporate £'000	Total £'000
Revenue	2,252,265	-	2,252,265
Gross profit	779,264	(1,479)	777,785
EBITDA	355,816	(135,640)	220,176
Interest received	-	112	112
Interest expense	-	(5)	(5)
Income tax expense	-	(37,338)	(37,338)
Segment profit	355,816	(195,148)	160,668
Total assets	432,395	419,235	851,630
Total liabilities	(106,954)	(242,001)	(348,955)
Other disclosures:			
Capital expenditure (including intangible assets)	-	(44,493)	(44,493)
Depreciation	-	(21,845)	(21,845)
Amortisation	-	(432)	(432)
52 week period ended 26 March 2016	Retail £'000	Corporate £'000	Total £'000
Revenue	1,902,557	-	1,902,557
Gross profit	652,775	-	652,775
EBITDA	299,819	(114,049)	185,770
Interest received	-	170	170
Interest expense	-	(51)	(51)
Income tax expense	-	(27,887)	(27,887)
Segment profit	299,819	(159,585)	140,234
Total assets	335,610	367,139	702,749
Total liabilities	(94,519)	(165,858)	(260,377)
Other disclosures:			
Capital expenditure (including intangible assets)	-	(51,760)	(51,760)
Depreciation	-	(17,460)	(17,460)
Amortisation	-	(308)	(308)

Notes to the financial statements

3 Operating profit

The following items have been included in arriving at operating profit:

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Auditor's remuneration of the company and other Group entity accounts borne by the company	195	196
Payments to auditors in respect of non-audit services		
Other assurance services	-	3
Inventories:		
Cost of inventories recognised as an expense	1,491,644	1,264,499
(Profit)/loss on sale of property, plant and equipment	(479)	37
Depreciation of property, plant and equipment:		
Owned assets	21,845	17,460
Leased assets	-	-
Amortisation (included within administrative expenses)	432	308
Operating lease rentals	119,316	99,239
New store pre-opening costs	4,571	6,935
Loss on foreign exchange	109	94

4 Finance costs and finance income

Finance costs include all interest related income and expenses. The following amounts have been included in the statement of comprehensive income for the reporting periods presented:

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Interest on debt and borrowings	5	51
Total finance costs	5	51

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Interest income on loans and bank accounts	112	170
Total finance income	112	170

Notes to the financial statements

5 Employee remuneration

The expense recognised for employee benefits is analysed below:

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Wages and salaries	248,952	207,784
Social security costs	11,617	9,186
Pensions - defined contributions plans	1,017	829
	<u>261,586</u>	<u>217,799</u>

There are £73k of outstanding defined contribution pension liabilities held by the company at the year end (2016: £70k).

The average monthly number of persons employed by the company during the period was:

	Period ended 25 March 2017	Period ended 26 March 2016
Sales staff	24,144	21,320
Administration	392	364
	<u>24,536</u>	<u>21,684</u>

6 Key management remuneration

Key management personnel and Directors' remuneration includes the following:

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Directors' remuneration		
Short term employee benefits	3,254	1,554
Benefits accrued under the share option scheme	124	-
	<u>3,378</u>	<u>1,554</u>
Key management expense (includes directors)		
Short term employee benefits	3,700	1,765
Benefits accrued under the share option scheme	124	-
	<u>3,824</u>	<u>1,765</u>
Amounts in respect of the highest paid director emoluments:		
Short term employee benefits	1,393	576
	<u>1,393</u>	<u>576</u>

Previously the share option scheme was expensed by another Group company, see note 20. The employees included within the definition of key management are directors of other group companies.

Notes to the financial statements

7 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK of 20% (2016: 20%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Current tax expense	37,758	27,409
Deferred tax (credit)/expense	(420)	478
Total tax	<u>37,338</u>	<u>27,887</u>
Total tax:		
Profit for the period before tax	198,006	168,121
Expected tax expense at tax rate of 20%	39,601	33,624
Effect of:		
Expenses not deductible for tax purposes	1,651	1,131
Income not taxable	(253)	(842)
Adjustment in respect of prior periods	466	(1,828)
Temporary differences	79	7
Effect of change of rate	(79)	(74)
Group relief received for nil consideration	(4,127)	(4,131)
Actual total tax charge	<u>37,338</u>	<u>27,887</u>

The tax charge for the period has been reduced by £4,127k (2016: £4,131k) because of losses surrendered by one Group company to another. No payment for this surrender is to be made. See note 20 for more details.

Deferred taxation

	25 March 2017 £'000	26 March 2016 £'000
Statement of Financial Position		
Accelerated tax depreciation	(818)	(553)
Fair valuing of assets and liabilities (asset)	214	-
Fair valuing of assets and liabilities (liability)	(82)	(880)
Relating to share options	98	-
Movement in provision	15	13
Held over gains on fixed assets	(207)	(126)
Other temporary differences (asset)	32	-
Other temporary differences (liability)	-	-
Net deferred tax liability	<u>(748)</u>	<u>(1,546)</u>
Deferred tax asset	359	13
Deferred tax liability	<u>(1,107)</u>	<u>(1,559)</u>

Notes to the financial statements

	52 weeks to 25 March 2017 £'000	52 weeks to 26 March 2016 £'000
Statement of Comprehensive Income		
Accelerated tax depreciation	(265)	360
Fair valuing of assets and liabilities	1,012	(716)
Relating to share options	98	-
Movement in provision	2	-
Held over gains on fixed assets	(81)	(126)
Other temporary differences	30	4
Net deferred tax credit/(charge)	796	(478)
Total deferred tax in profit or loss	420	(478)
Total deferred tax in other comprehensive income	376	-

The company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

8 Intangible assets

	Software £'000	Brands £'000	Total £'000
Cost			
At 28 March 2015	1,774	-	1,774
Additions	1,769	-	1,769
At 26 March 2016	3,543	-	3,543
Additions	1,495	1,200	2,695
At 25 March 2017	5,038	1,200	6,238
Accumulated amortisation/impairment			
At 28 March 2015	1,235	-	1,235
Charge for the period	308	-	308
At 26 March 2016	1,543	-	1,543
Charge for the period	432	-	432
At 25 March 2017	1,975	-	1,975
Net book value at 25 March 2017	3,063	1,200	4,263
Net book value at 26 March 2016	2,000	-	2,000

During the year under review, the company acquired a brand which management consider to have indefinite life. As such this asset has been tested for impairment at the year end, with no such impairment being required. The asset and impairment test is considered immaterial for further disclosure.

Notes to the financial statements

9 Property, plant and equipment

	Land and buildings £'000	Motor vehicles £'000	Plant, fixtures and equipment £'000	Total £'000
Cost				
28 March 2015	19,202	4,744	115,755	139,701
Additions	4,166	1,056	44,769	49,991
Disposals	(270)	(1,119)	-	(1,389)
26 March 2016	23,098	4,681	160,524	188,303
Additions	6,820	646	34,332	41,798
Disposals	(839)	(785)	-	(1,624)
25 March 2017	29,079	4,542	194,856	228,477
Accumulated depreciation				
28 March 2015	10,272	3,192	42,166	55,630
Charge for the year	2,390	675	14,395	17,460
Disposals	-	(834)	-	(834)
26 March 2016	12,662	3,033	56,561	72,256
Charge for the year	2,599	623	18,623	21,845
Disposals	(19)	(520)	-	(539)
25 March 2017	15,242	3,136	75,184	93,562
Net book value at 25 March 2017	13,837	1,406	119,672	134,915
Net book value at 26 March 2016	10,436	1,648	103,963	116,047

There were no assets held under finance leases at either year end date, with total depreciation on such assets also £nil.

Under the terms of the loan and notes facilities in place at the year end date, and under the terms of the loan facilities in place at the prior year end date, all property plant and equipment were held under fixed or floating charges.

For both balance sheet dates, included within land and buildings is land with a cost of £100k which is not depreciated and has not been impaired.

	25 March 2017 £'000	26 March 2016 £'000
The net book value of land and buildings comprises:		
Freehold land and buildings	5,035	1,398
Short leasehold improvements	8,802	9,038
	13,837	10,436

Notes to the financial statements

10 Inventories

	25 March 2017 £'000	26 March 2016 £'000
Goods for resale	411,196	315,462

In the period to 25 March 2017 £1,491.6m (2016: £1,264.5m) was recognised as an expense for inventories carried at net realisable value. Included in this amount was a £1.6m charge (2016: £0.1m gain) related to net inventory write down.

11 Trade and other receivables

	27 March 2017 £'000	26 March 2016 £'000
Non-current		
Lease Premiums	2,412	2,771
	<u>2,412</u>	<u>2,771</u>
Current		
Trade receivables	2,646	1,338
Payments on account	3,615	2,850
Provision for impairment	(4)	(24)
Net trade receivables to non-related parties	<u>6,257</u>	<u>4,164</u>
Prepayments	23,012	19,745
Related party receivables	706	797
Non-interest bearing intergroup funding	111,721	148,531
Lease Premiums	567	586
Other receivables	24	244
	<u>142,287</u>	<u>174,067</u>

Trade and other receivables are stated initially at their fair value and then at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. The carrying amount is determined by the directors to be a reasonable approximation of fair value.

The following table sets out an analysis of provisions for impairment of trade and other receivables. The main consideration when making a provision is managements perception of the recoverability of the receivable.

	25 March 2017 £'000	26 March 2016 £'000
Balance brought forward	(24)	(9)
Impairment during the year	(3)	(21)
Utilised/released during the period	23	6
Balance at the period end	<u>(4)</u>	<u>(24)</u>

Trade receivables are non-interest bearing and are generally on terms of 30 days or less.

At both period ends there were no external significant balances within receivables and as such there is no specific concentration of credit risk.

Notes to the financial statements

The following table sets out a maturity analysis of total trade and other receivables, including those which are past due but not impaired:

	25 March 2017 £'000	26 March 2016 £'000
Neither past due nor impaired	141,499	173,253
Past due less than one month	320	286
Past due between one and three months	372	221
Past due for longer than three months	96	307
Total trade and other receivables	142,287	174,067

12 Cash and cash equivalents

	25 March 2017 £'000	26 March 2016 £'000
Cash at bank and in hand	155,849	87,620

13 Trade and other payables

	25 March 2017 £'000	26 March 2016 £'000
Non-current		
Reverse lease premium	75,909	65,533
	75,909	65,533
Current		
Trade payables	187,954	130,743
Other tax and social security payments	1,823	5,995
Accruals and deferred income	32,339	26,109
Related party trade payables	6,472	2,181
Non-interest bearing intergroup funding	620	462
Reverse lease premium	10,758	8,718
Other payables	4,509	796
	244,475	175,004

Trade payables are generally on 30 day terms and are not interest bearing. The directors consider that the carrying value of trade payables approximates to their fair value. For further details on the related party trade payables, see note 20.

Notes to the financial statements

14 Other financial assets and liabilities

Other financial assets

	26 March 2017 £'000	26 March 2016 £'000
Financial assets at fair value through profit and loss:		
Foreign exchange forward contracts	-	4,769
Fuel swap contracts	232	-
Financial assets at fair value through other comprehensive income:		
Foreign exchange forward contracts	117	-
Total current other financial assets	349	4,769

Other financial liabilities

	25 March 2017 £'000	26 March 2016 £'000
Financial liabilities at fair value through profit and loss:		
Foreign exchange forward contracts	287	307
Fuel swap contracts	-	63
Financial liabilities at fair value through other comprehensive income:		
Foreign exchange forward contracts	1,783	-
Total current other financial liabilities	2,070	370

Financial assets and liabilities at fair value through profit or loss reflect the positive or negative fair value of those foreign exchange forward contracts and fuel swaps that are not designated as hedge relationships but are nevertheless intended to reduce the level of risk for expected sales and purchases.

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Notes to the financial statements

As at the reporting date, the company held the following financial instruments carried at fair value on the balance sheet:

	25 March 2017 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Foreign exchange contracts	(1,953)	-	(1,953)	-
Fuel swap contract	232	-	232	-
	26 March 2016 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Foreign exchange contracts	4,462	-	4,462	-
Fuel swap contract	(63)	-	(63)	-

These instruments have been valued by the issuing bank, using a mark to market method. The bank has used various inputs to compute the valuations and these include inter alia the relevant maturity date and strike rates, the current exchange rate, fuel prices and LIBOR levels.

The company's financial instruments are either carried at fair value or have a carrying value which is considered a reasonable approximation of fair value.

15 Provisions

	Property provision £'000	Other £'000	Total £'000
At 28 March 2015	3,001	4,105	7,106
Provided in the period	1,219	2,259	3,478
Utilised in the period	(534)	(1,745)	(2,279)
Released in the period	(1,250)	(405)	(1,655)
At 26 March 2016	2,436	4,214	6,650
Provided in the period	1,367	2,770	4,137
Utilised in the period	(374)	(1,857)	(2,231)
Released in the period	(1,856)	(1,092)	(2,948)
At 25 March 2017	1,573	4,035	5,608
Current liabilities 2017	834	4,035	4,869
Non-current liabilities 2017	739	-	739
Current liabilities 2016	555	4,214	4,769
Non-current liabilities 2016	1,881	-	1,881

The property provision relates to the expected future costs on specific leasehold properties. This is inclusive of onerous leases and dilapidations on these properties. The timing in relation to utilisation is dependent upon the individual lease terms with an insignificant level of uncertainty over this.

The other provisions principally relate to disputes concerning insurance liability claims. A prudent amount has been set aside for each claim as per legal advice received by the company. These claims are individually non-significant and average £8.3k per claim (£7.5k in 2016). The timing of payments is dependent upon the conclusion of each individual case and is therefore uncertain, although immaterial to the cash flow of the company.

Notes to the financial statements

16 Share capital

	25 March 2017 £'000	26 March 2016 £'000
Authorised, allotted, called up 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
	<u>1,905</u>	<u>1,905</u>

The shares of each class are equity shares and rank pari passu in respect of the other shares.

17 Commitments

Operating leases

The vast majority of the company's operating lease commitments relate to the property comprising our store network. At the period end over 95% of these leases were due to expire in the next 15 years (2016: over 90%). The leases are separately negotiated and no subgroup is considered to be individually significant nor to contain individually significant terms. The company was not subject to material contingent rent agreements at the period end date. The following table sets out the total future minimum lease payments, taking account of lease incentives, under non-cancellable operating leases.

	25 March 2017 £'000	26 March 2016 £'000
Not later than one year	122,167	103,810
Later than one year and not later than five years	451,435	403,838
Later than 5 years	481,254	447,156
	<u>1,054,856</u>	<u>954,804</u>

The lease and sublease payments recognised as an expense in the periods were as follows:

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Lease payments	119,578	99,426
Sublease receipts	(262)	(187)
	<u>119,316</u>	<u>99,239</u>

Finance leases

At both year-ends the company held no outstanding finance leases.

Capital commitments

There were £3.5m of contractual capital commitments not provided within the company financial statements as at 25 March 2017 (2016: £3.0m).

Notes to the financial statements

18 Group information and ultimate parent undertaking

The ultimate parent company and controlling party is B&M European Value Retail S.A. a company incorporated in Luxembourg. B&M European Value Retail S.A. listed on the London Stock Exchange in June 2014, and produces consolidated accounts on behalf of the Group which includes the fully consolidated results of this company.

19 Financial risk management

The company uses various financial instruments, these include finance company loans, related party loans, cash, equity investment, derivatives and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are market risk, currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

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 exposure to those risks, in particular the exposure to currency risk, the company enters into forward foreign currency contracts. No transactions in derivatives are undertaken of a speculative nature.

Market risk

Market risk encompasses two types of risk, being currency risk and commodity price risk. Commodity price risk is not considered material to the business as the company is able to pass on pricing changes to its customers.

Despite the impact of price risk not being considered material, the company engages in a swap contract over the cost of fuel in order to minimise the impact of any volatility.

The sensitivity to these contracts for a reasonable change in the year end fuel price is as follows:

		25 March 2017 £'000	26 March 2016 £'000
	Change in fuel price		
Effect on profit before tax	+5%	159	64
	-5%	(151)	(64)

This has been calculated by taking the spot price of fuel at the year end, applying the change indicated in the table, and projecting this over the life of the contract assuming all other variables remain equal.

Currency risk

The company is exposed to translation and transaction foreign exchange risk arising from exchange rate fluctuation on its purchases from overseas suppliers.

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.

All of the company's sales are to customers in the UK and there is no currency exposure in this respect, a significant proportion of the company's purchases are priced in US Dollars and the company uses forward currency contracts to minimise the risk associated with that exposure.

Notes to the financial statements

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in US Dollar period end exchange rates with all other variables held constant.

The impact on the company's profit before tax and other comprehensive income is largely due to changes in the fair value of the FX forward contracts.

	Change in USD rate	25 March 2017 £'000	26 March 2016 £'000
Effect on profit before tax	+2.5%	(2,117)	(1,836)
	-2.5%	2,225	1,930
Effect on other comprehensive income	+2.5%	(9,403)	-
	-2.5%	7,919	-

The company also has balances denominated in Euros, however the sensitivity to these balances is highly immaterial in the period under consideration.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited as the counterparty is a UK clearing bank with a high credit rating (A-Long term and A-2 short term (standard & poor) (A-, A-2 in the prior year). The principal credit risk arises therefore from the company's trade receivables.

Credit risk is further limited by the fact that the vast majority of sales transactions are made through the store registers, direct from the customer at the point of purchase, leading to a low trade receivables balance.

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.

Liquidity risk

Any impact on available cash and therefore the liquidity of the company could have a material effect on the business as a result.

Liquidity risk is managed by producing short and long term cash forecasts, and on a Group level by managing of the debt facilities available.

Notes to the financial statements

The following table shows the liquidity risk maturity of the debt:

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
25 March 2017					
Forward foreign exchange contracts	2,070	-	-	-	2,070
Intragroup funding	620	-	-	-	620
Trade payables	194,426	-	-	-	194,426
26 March 2016					
Fuel swap contract	63	-	-	-	63
Forward foreign exchange contracts	307	-	-	-	307
Intragroup funding	462	-	-	-	462
Trade payables	132,924	-	-	-	132,924

Fair Value

The fair value of the financial assets and liabilities of the company are not materially different from their carrying value. Refer to the table below. These all represent financial assets and liabilities measured at amortised cost except where stated as measured at fair value through the profit and loss.

	25 March 2017 £'000	26 March 2016 £'000
Financial assets		
Fair value through profit and loss		
Forward foreign exchange contracts	-	4,769
Fuel swap contracts	232	-
Fair value through other comprehensive income		
Forward foreign exchange contracts	117	-
Loans and receivables		
Cash and cash equivalents	155,849	87,620
Trade receivables	6,963	4,961
Intragroup funding	111,721	148,531
Other receivables	24	244
	<hr/>	<hr/>
	25 March 2017 £'000	26 March 2016 £'000
Financial liabilities		
Fair value through profit and loss		
Forward foreign exchange contracts	287	307
Fuel price swap	-	63
Fair value through other comprehensive income		
Forward foreign exchange contracts	1,783	-
Other financial liabilities		
Trade payables	194,426	132,924
Intragroup funding	620	462
Other payables	4,508	796
	<hr/>	<hr/>

Notes to the financial statements

20 Related party transactions

The company has transacted with the following related parties over the period:

- Multi-lines International Company Limited, a supplier, and Home Focus Group, a customer, have been associates of the Group since the purchase of SBR Europe on 6 March 2013.
- Ropley Properties Ltd, Triple Jersey Ltd, TJL UK Ltd and Rani Investments, all landlords of properties occupied by the group, are directly or indirectly owned by director Simon Arora, his family, or his family trusts.

The following table sets out the total amount of trading transactions with related parties included in the combined income statement:

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Sales to related parties:		
Home Focus Group Limited	2,503	770
	<u>2,503</u>	<u>770</u>
Purchases from related parties:		
Multi-lines International Company Ltd	118,777	94,628
Rani Investments	192	191
Ropley Properties Ltd	2,811	2,811
TJL UK Ltd	42	-
Triple Jersey Ltd	10,250	7,176
	<u>132,072</u>	<u>104,806</u>

The following table sets out the total amount of trading balances with related parties outstanding at the period end.

	25 March 2017 £'000	26 March 2016 £'000
Trade receivables from related parties:		
Home Focus Group Ltd	706	251
Multi-Lines International Company Ltd	-	546
	<u>706</u>	<u>797</u>
Trade payables with related parties:		
Multi-Lines International Company Ltd	3,385	-
Rani Investments	-	39
Ropley Properties Ltd	850	852
TJL UK Ltd	85	-
Triple Jersey Ltd	2,152	1,290
	<u>6,472</u>	<u>2,181</u>

Outstanding trade balances at the balance sheet date are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party trade receivables or payables.

The business has not recorded any impairment of trade receivables relating to amounts owed by related parties at either period end. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

Notes to the financial statements

The future operating lease commitments on the related party property is as follows;

As at	25 March 2017 £'000	26 March 2016 £'000
Not later than one year	14,544	10,995
Later than one year and not later than five years	57,704	43,648
Later than five years	76,341	61,073
	148,589	115,716

Tax has been group relieved within the company for nil consideration. The receipt and provision of group relief between the UK group companies as per the accounting provision is as follows;

	Period ended 25 March 2017 £'000	Period ended 26 March 2016 £'000
Receipt / (Provision) of Group Relief		
All other UK entities	(1)	-
B&M European Value Retail Holdco 4 Limited	(4,126)	(4,131)
B&M Retail Limited	4,127	4,131

During the prior period key management were remunerated £80k by the Group company B&M European Value Retail Holdco 4 Limited. This was in relation to share options which are now expensed directly by B&M Retail Limited.

21 Reconciliation of profit before tax to cash generated from operations

	Period to 25 March 2017 £'000	Period to 26 March 2016 £'000
Profit before tax	198,006	168,121
Adjustments for:		
Net interest expense	(107)	(119)
Depreciation	21,845	17,460
Amortisation of intangible assets	432	308
(Profit)/loss on disposal of property, plant and equipment	(479)	37
Change in inventories	(94,709)	(60,110)
Change in trade and other receivables	(4,672)	3,392
Change in trade and other payables	79,691	41,963
Change in provisions	(1,042)	(456)
Loss on share options	675	-
Loss/(profit) on fair value of financial derivatives	3,428	(3,577)
Cash generated from operations	203,068	167,019

Notes to the financial statements

22 Capital management

For the purpose of the company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. The primary objective of the company's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the company's capital management, amongst other things, aims to ensure that it is able to provide the internal funding such that the Group members which hold the Group's external interest-bearing loan balances are able to meet the relevant financial covenants attached to these. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current or prior period.

In terms of monitoring the company's ability to meet the overall funding requirement the directors monitor the overall Group's net debt statistic as defined as follows: Interest bearing loans and borrowings less cash and short-term deposits.

The overall Group position at each period end was as follows;

	25 March 2017 £'000	26 March, 2016 £'000
As at		
Interest bearing loans and borrowings	557,463	445,371
Less: Cash and short term deposits	(155,551)	(91,148)
Net debt	401,912	354,223

23 Subsequent events

There have been no material events between the balance sheet date and the date of issue of these accounts.

24 Dividends

In March 2017 the company declared dividends totalling £39,000k, in November 2016 the company declared dividends totalling £19,750k, in June 2016 the company declared dividends totalling £41,000k.

In the prior year; In March 2016 the company declared dividends totalling £32,000k.

All dividends were payable to the parent company and sole shareholder, EV Retail Ltd.

25 Contingent liabilities and guarantees

As at 25 March 2017, B&M European Value Retail S.A., B&M European Value Retail 1 S.à r.l., B&M European Value Retail 2 S.à r.l., B&M European Value Retail Holdco 1 Ltd, B&M European Value Retail Holdco 2 Ltd, B&M European Value Retail Holdco 3 Ltd, B&M European Value Retail Holdco 4 Ltd, EV Retail Ltd and B&M Retail Ltd are all guarantors to both the loan and notes agreements which are formally held within B&M European Value Retail SA. The amounts outstanding as at the period end were £300.0m for the loan, with the balance held in B&M European Value Retail Holdco 4 Ltd, and £250.0m for the notes, with the balance held in B&M European Value Retail S.A.

As at 26 March 2016, B&M European Value Retail S.A., B&M European Value Retail 1 S.à r.l., B&M European Value Retail 2 S.à r.l., B&M European Value Retail Holdco 1 Ltd, B&M European Value Retail Holdco 2 Ltd, B&M European Value Retail Holdco 3 Ltd, B&M European Value Retail Holdco 4 Ltd, EV Retail Ltd, B&M Retail Ltd and Opus Homewares Ltd were all guarantors to the loan agreement which was formally held within B&M European Value Retail SA. The amount outstanding as at the period end was £440.0m, with the balance held in B&M European Value Retail Holdco 4 Ltd.

The companies named above are all fully within the Group containing B&M Retail Limited.