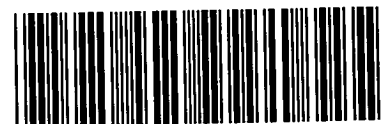


Financial statements B&M Retail Limited

For the period from 1 January 2013 to 29 March 2014

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 14 Piccadilly Bradford BD1 3LX
Auditor	Grant Thornton UK LLP Statutory Auditor Chartered Accountants Royal Liver Building Liverpool L3 1PS

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Report of the directors

The directors present their report together with the financial statements for the period from 1 January 2013 to 29 March 2014. This is the first set of financial statements for the company presented under the International Financial Reporting Standards as adopted by the European Union.

Principal activity

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

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 as adopted by the European Union (IFRSs). 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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*.

Report of the directors

Auditors

A resolution to re-appoint Grant Thornton UK 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
18 December 2014

Strategic Report

Business Review

During the period under review the company has continued to deliver a strong financial performance against a background of continued pressures on the UK consumer. 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 three main segments, grocery retailers, specialist retailers and general merchandise discount retailers and the company's positioning allows it to compete across all three 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:-

- Continuous improvement in the product proposition in terms of quality, price and the development of enhanced ranges. As a consequence like for like sales grew by 6.5% in the 52 week period to 29 March 2014. This was driven by increased customer awareness of the brand as demonstrated by the increase the number of customer transactions and the improvements in the product proposition with an increase in the average transaction value.
- Expansion of the store estate. The company has a strong commitment to continue to roll out new stores in the UK and in the 65 week period ending 29 March 2014 we have opened a net 49 stores and at the end of this period the company now trades from 373 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 and development of our infrastructure. During the period under review we have opened a new 500,000 square foot warehouse in Liverpool, at a capital cost of £6.1m, in order to support the store roll programme, as well as investing in the store environment through the refitting of the older stores in the estate. Further investments were made in a recycling centre and vehicle maintenance unit with a total capital cost of £1.9m. Additionally, the business has continued to invest in the strength of its management teams and improvements have been made in training and development for store colleagues.

Financial Performance

The accounting period represents trading for the 65 weeks to 29 March 2014 and the comparative period represents the 52 weeks to 31 December 2012. In order to provide constant period comparisons, the following table gives the key performance indicators for the 52 week period to 29 March 2014, how these reconcile to the 65 week period shown in the primary statements and, as a comparative, the figures for the 52 week period ending 30 March 2013.

Strategic Report

	52 weeks to 29 Mar-14 £'000	13 weeks to 30-Mar 13 £'000	65 weeks to 29 Mar-14 £'000
Revenue	1,271,980	237,152	1,509,132
Gross profit	432,008	80,658	512,666
Gross Margin	34.0%	34.0%	34.0%
EBITDA	121,522	13,915	135,437
Additions to property, plant and equipment	32,881	2,716	35,597

	52 weeks to 29-Mar-14 £'000	52 weeks to 30-Mar-13 £'000
Revenue	1,271,980	992,925
Gross profit	432,008	339,634
Gross Margin	34.0%	34.2%
EBITDA	121,522	94,606
Additions to property, plant and equipment	32,881	21,792

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.

Revenues for the 65 week period to 29 March 2014 were £1,509.1m and for the 52 week period to 29 March 2014 were £1,272.0m, (prior 52 week period: £992.9m), an increase of 28.1%, this was driven by the like for like revenue growth of 6.5%, with the remaining growth arising from the net new store openings.

The cash gross profit for the 65 week period to 29 March 2014 was £512.7m and for the 52 week period to 29 March 2014 was £432.0m (prior 52 week period £339.6m), an increase of 27.2%. The gross margin percentage remained broadly stable at 34.0% for the 52 weeks ending 29 March 2014 (prior 52 week period 34.2%). The group 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 the 65 week period to 29 March 2014 was £135.4m and for the 52 week period to 29 March 2014 was £121.5m, (prior 52 week period £94.6m), an increase of 28.5%.

The business focuses on the management of working capital in order to effectively manage its cash flows, with particular focus on the control of inventory levels and rigorous controls are applied to ensure appropriate inventory levels are maintained. The level of stock days has remained consistent at 74 days at 29 March 2014 (2012 : 74 days).

Strategic Report

Capital expenditure in the 52 weeks to 29 March 2014 was £32.9m, (prior 52 week period : £21.8m). Significant investments were made supporting the new store roll out programme with the addition of a net 49 stores (51% of capital expenditure) and the infrastructure investments including the new warehouse, the vehicle maintenance unit, the recycling centre and store refits.

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.

The company:

- is committed to achieving good environmental practice and striving to minimise adverse environmental impacts and endeavours to achieve these goals by ensuring the efficient use of materials and energy, recycling wherever possible, minimising waste and ensuring compliance with relevant environmental legislation,
- recycles all store and distribution centre waste paper, cardboard and plastics with approved and licensed recycling companies,
- has a programme of investment in double-decker HGV trailers in order to reduce its carbon footprint,
- specifies energy efficient high frequency lightfittings for new stores and refurbishment projects, in order to reduce electricity consumption.

The company also regularly reviews sources of supply to seek to ensure that its suppliers in the Far East operate fairly and ethically and we do not source from countries seen as high risk, such as Bangladesh. The company's code of conduct stipulates that all workers in factories which manufacture private label products for us must be over the minimum working age in the relevant jurisdiction.

B&M employs a team of health and safety officers to ensure that a safe and healthy environment is provided for its employees and customers and we also endeavour to ensure that our suppliers, manufacturers and licensees also provide reasonable working standards for their employees and do not contravene the employment laws of their countries.

The company is committed to a policy of equal opportunities for staff at all levels and provides direct employment and career development to thousands of employees across the UK. We are dedicated to training and development, and have invested significant amounts in training programmes. The company also provides opportunities for large numbers of people seeking flexible or part-time hours.

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. Risk is managed on a Group wide basis and as such the following Group policies and identified risks are applicable to the company.

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

Strategic Report

Business Interruption - the distribution and IT systems infrastructure is key to ensuring continuity of supply and trading in the store estate and if a major incident were to happen then this could have a detrimental impact of the Group's ability to operate effectively.

In order to mitigate this risk the Group has developed IT continuity and recovery plans and is investing in the creation of a remote IT disaster recovery site.

Product Quality - we are aware that if we fail to deliver to our customer's satisfaction the expected standards of safety in our products then this has the potential to harm and damage our business reputation, which could have an adverse impact on our market share and financial results.

The Group has both an ethical sourcing policy and rigorous quality assurance procedures to ensure that the products that the company sells are safe and comply with relevant legislation.

Suppliers - the failure of a key supplier would impact the service that the company can provide to its customer and any sustained cost price increases from key suppliers may place risks on the Group's trading margins.

The Group manages this risk by working with suppliers and ensuring that they are stable and ensuring that the company has alternative supply sources where possible and that there is no over reliance on a single supplier.

Property - the Group is growing its retail space through acquisition of new sites and modernising its existing store estate. If the Group fails to grow space profitably then the Group may lose market share and profitability may suffer.

The Group manages this by having a clear property strategy and rigorously appraises the profitability of new retail space and the capital expenditure involved in a new store opening to ensure any risk is minimised

Financial risk

The Group uses various financial instruments, these include derivatives such as foreign exchange contracts and fuel swaps, cash, equity investment 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 Group's operations.

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

The main risks arising from the Group'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.

Market risk

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

Strategic Report

The Group operates in a highly competitive market and the outlook of the UK and world economy and customer confidence may impact on the Group's ability to deliver growth.

The Group constantly reviews performance and revisits strategy accordingly to ensure that the management team is always focused on the key priorities of the Group to minimise this risk.

Credit risk

The Group'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. The principal credit risk arises therefore from the Group's trade receivables.

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.

Currency risk

The Group 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. Whilst the aim is to achieve an economic hedge, the company does not adopt an accounting policy of hedge accounting for these financial statements.

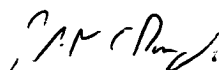
All of the Group's sales are to customers in the UK and there is no currency exposure in this respect. For the proportion of the company's purchases transacted in US Dollars forward currency contracts are used to minimise the risk associated with that exposure.

Liquidity risk

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

Short term flexibility is achieved by the Group's overdraft facility. The Group has rolling forecasts that enable the directors to ensure that the Group has sufficient liquidity and headroom against these facilities and that the Group operates with comfortable levels of headroom against its banking covenants.

ON BEHALF OF THE BOARD



P McDonald
Director
18 December 2014

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 from 1 January 2013 to 29 March 2014 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 pages 4 - 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 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 (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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

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 29 March 2014 and of the company's profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors and the Strategic report for the financial period 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

Carl Williams
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
18 December 2014

Statement of Comprehensive Income

	Note	Period from 1 January 2013 to 29 March 2014 £'000	Year ended 31 December 2012 £'000
Revenue	2	1,509,132	935,229
Cost of sales		(996,466)	(616,483)
Gross profit		512,666	318,746
Administrative expenses		(389,136)	(235,500)
Operating profit	3	123,530	83,246
Finance costs	4	(225)	(20)
Finance income	4	93	200
Profit before tax		123,398	83,426
Income tax expense	7	(7,489)	(20,925)
Profit and total comprehensive income for the period	18	115,909	62,501

There was no other comprehensive income for either period presented.

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 Changes in Equity

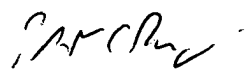
	Share capital £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 January 2012	1,905	101,520	103,425
Total comprehensive income for the year ended 31 December 2012	-	62,501	62,501
Balance at 31 December 2012	1,905	164,021	165,926
Total comprehensive income for the period from 1 January 2013 to 29 March 2014	-	115,909	115,909
Balance at 29 March 2014	1,905	279,930	281,835

Statement of Financial Position

		29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
	Note			
Assets				
Non-current				
Intangible assets	8	607	367	466
Property, plant and equipment	9	64,976	41,453	28,352
Deferred tax asset	7	233	1,773	952
		<u>65,816</u>	<u>43,593</u>	<u>29,770</u>
Current assets				
Cash and cash equivalents	12	23,480	78,790	38,352
Inventories	10	170,371	117,242	96,405
Trade and other receivables	11	170,783	73,910	61,439
Other financial assets	15	-	-	996
		<u>364,634</u>	<u>269,942</u>	<u>197,192</u>
Total assets		<u>430,450</u>	<u>313,535</u>	<u>226,962</u>
Equity				
Share capital	17	(1,905)	(1,905)	(1,905)
Retained earnings	18	(279,930)	(164,021)	(101,520)
		<u>(281,835)</u>	<u>(165,926)</u>	<u>(103,425)</u>
Current liabilities				
Trade and other payables	13	(103,031)	(109,258)	(96,693)
Other financial liabilities	15	(1,448)	(190)	-
Income tax payable		(156)	(12,230)	(10,751)
Provisions	16	(6,974)	(2,684)	(2,094)
		<u>(111,609)</u>	<u>(124,362)</u>	<u>(109,538)</u>
Non-current liabilities				
Provisions	16	(2,149)	(2,618)	(1,780)
Other payables	14	(34,857)	(20,039)	(11,698)
Deferred tax liabilities	7	-	(590)	(521)
		<u>(37,006)</u>	<u>(23,247)</u>	<u>(13,999)</u>
Total Liabilities		<u>(148,615)</u>	<u>(147,609)</u>	<u>(123,537)</u>
Total equity and liabilities		<u>(430,450)</u>	<u>(313,535)</u>	<u>(226,962)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 18 December 2014 and signed on their behalf by :

P McDonald
Director



Company registration number: 01357507

Statement of Cash Flows

Period ended		29 March 2014 £'000	31 December 2012 £'000
	Note		
Cash flows from operating activities			
Cash generated from operations	23	91,220	80,814
Movement in Intercompany balances		(91,753)	-
Income tax paid		(18,613)	(20,198)
Net cash flows from operating activities		(19,146)	60,616
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(35,597)	(20,227)
Purchase of intangible assets	8	(477)	(86)
Proceeds from sale of property, plant and equipment		340	342
Interest received		93	200
Net cash flows from investing activities		(35,641)	(19,771)
Cash flows from financing activities			
Interest paid		(225)	(20)
Repayment of finance lease		(298)	(387)
Net cash flows from financing activities		(523)	(407)
Net increase in cash and cash equivalents		(55,310)	40,438
Cash and cash equivalents at the beginning of the period		78,790	38,352
Cash and cash equivalents at the end of the period		23,480	78,790
Cash and cash equivalents comprise:			
Cash at bank and in hand	12	23,480	78,790
		23,480	78,790

Notes to the financial statements

1 Principal accounting policies

Basis of preparation

During the period, the company has adopted for the first time International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 date of transition to IFRS was 1 January 2012. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are detailed within note 27.

The financial statements have been prepared under the historical cost convention. The measurement basis and principal accounting policies of the company are set out below and have been applied consistently throughout the financial statements.

On 6 March 2013 B&M European Value Retail Holdco 1 S.a.r.l. acquired control of B&M European Value Retail 2 S.a.r.l. (SBR Europe). As a result of the acquisition to align the period ends within the newly established Group, the company has changed its year end to match that of the new ultimate parent undertaking, resulting in the current reporting period being stated for 65 weeks from 1 January 2013 up to 29 March 2014.

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 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 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.

Notes to the financial statements

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 board is responsible for assessing the performance of the business for the purpose of making decisions about resources to be allocated.

Software

Intangible assets acquired separately, including computer software, 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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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. 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
Fixtures, fittings and 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.

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.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. 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.

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 countries where the company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss or other comprehensive income.

Notes to the financial statements

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, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

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 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.

Notes to the financial statements

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 include derivative financial instruments entered into by the company. 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 finance income or finance costs.

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 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 and, in the case of loans and borrowings, subsequently carried at amortised cost. This includes directly attributable transaction costs. For financial liabilities not subsequently carried at fair value through profit or loss. The entity's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

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 that are traded in active markets at each reporting date 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.

Derivative financial instruments

The company uses derivative financial instruments such as forward currency contracts and fuel swaps to reduce its foreign currency risk, price risk and interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, less bank overdrafts.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Retained earnings" represents retained profits.

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.

Notes to the financial statements

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 where the time value of money is considered to be material.

In respect of leased properties, where the economic benefits from occupying the leased properties are less than the obligations payable under the lease (an onerous contract), a provision is made for the present value of the estimated future net cash outflows for each lease. A dilapidation provision is in place based on the company's estimate of dilapidation charges.

Critical judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

At the period end date management has made the judgement that when these losses were likely to become available for tax purposes, then there will be enough profit available for these to be used. Therefore the deferred tax assets have been recognised. See note 7.

Dilapidations

As part of the identification and measurement of assets and liabilities, the company has recognised a provision for dilapidations associated with the obligation in operating lease agreements to return certain store premises to the landlord in the condition in which they were let to the company. In determining the value of the provision, assumptions and estimates are made in relation to the expected cost to make good a store and the expected timing of those costs. See note 16.

Onerous lease

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 16.

Notes to the financial statements

Long-term incentive plan (LTIP)

Management has estimated the value of the LTIP during the period. The LTIP matured on 31 December 2013. See note 16.

Other Provisions

The other provisions principally relate to insurance liability claims. The directors believe it would be seriously prejudicial to disclose any further information in relation to these provisions as the disputes are ongoing. See note 16.

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.

Standards and Interpretations not yet applied by the company

The standards and interpretations that are issued but not yet effective up to the date of issuance of the company's financial information are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the company's financial position or performance and become effective for annual periods beginning on or after 1st January 2014.

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 segmental basis.

65 week period ended 29 March 2014	Retail £'000	Corporate £'000	Total £'000
Revenue	1,509,132	-	1,509,132
Gross profit	512,666	-	512,666
EBITDA	239,887	(104,450)	135,437
Interest received	-	93	93
Interest expense	-	(225)	(225)
Income tax expense	-	(7,489)	(7,489)
Segment profit	239,887	(123,978)	115,909
Total assets	181,083	249,367	430,450
Total liabilities	(48,883)	(99,732)	(148,615)
Other disclosures:			
Capital expenditure (including intangible assets)	-	(36,074)	(36,074)
Depreciation	-	(11,671)	(11,671)
Amortisation	-	(237)	(237)
Year ended 31 December 2012	Retail £'000	Corporate £'000	Total £'000
Revenue	935,229	-	935,229
Gross profit	318,746	-	318,746
EBITDA	150,781	(60,538)	90,243
Interest received	-	200	200
Interest expense	-	(20)	(20)
Income tax expense	-	(20,925)	(20,925)
Segment profit	150,781	(88,280)	62,501
Total assets	131,675	181,860	313,535
Total liabilities	(30,997)	(116,612)	(147,609)

Notes to the financial statements

Year ended 31 December 2012	Retail £'000	Corporate £'000	Total £'000
Other disclosures:			
Capital expenditure (including intangible assets)	-	(20,313)	(20,313)
Depreciation	-	(6,909)	(6,909)
Amortisation	-	(185)	(185)

3 Operating profit

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

	Period ended 29 March 2014 £'000	Year ended 31 December 2012 £'000
Auditor's remuneration of the company and other group entity accounts borne by the company	158	50
Payments to auditors in respect of non-audit services		
Audit related assurance services	100	-
Other assurance services	10	-
Taxation compliance	-	6
Inventories:		
Cost of inventories recognised as an expense	1,008,692	624,649
Loss/(profit) on sale of property, plant and equipment	62	(125)
Depreciation of property, plant and equipment:		
Owned assets	11,444	6,737
Leased assets	227	172
Amortisation (included within administrative expenses)	237	185
Operating lease rentals	72,647	41,690
Exchange losses	85	19

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 line for the reporting periods presented:

	Period ended 29 March 2014 £'000	Year ended 31 December 2012 £'000
Interest on debt and borrowings	217	-
Finance charges payable under finance leases	8	20
Total finance costs	225	20

Notes to the financial statements

	Period ended 29 March 2014 £'000	Year ended 31 December 2012 £'000
Interest income on loans and bank accounts	93	200
Total finance income	93	200

5 Employee remuneration

The expense recognised for employee benefits is analysed below:

	Period ended 29 March 2014 £'000	Year ended 31 December 2012 £'000
Wages and salaries	171,429	103,129
Social security costs	7,310	4,748
Pensions - defined contributions plans	390	40
	179,129	107,917

There are no outstanding pension liabilities held by the company at either period end.

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

	Period ended 29 March 2014	Year ended 31 December 2012
Sales staff	14,733	11,180
Administration	264	194
	14,997	11,374

6 Key management remuneration

Key management personnel and Directors' remuneration includes the following:

	29 March 2014 £'000	31 December 2012 £'000
Period to		
Directors' remuneration		
Short term employee benefits	115	182
Long term incentive plan	1,500	-
	1,615	182

Notes to the financial statements

	29 March 2014 £'000	31 December 2012 £'000
Period to		
Key management expense (includes directors)		
Short term employee benefits	130	200
Long term incentive plan	1,707	-
	<u>1,837</u>	<u>200</u>
Amounts in respect of the highest paid director emoluments:		
Short term employee benefits	64	135
Long term incentive plan	750	-
	<u>814</u>	<u>135</u>

Directors and key management have also been remunerated by other group companies.

7 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK of 23% (2012 : 24.5%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

	Period ended 29 March 2014 £'000	Year ended 31 December 2012 £'000
Current tax expense	6,539	21,677
Deferred tax expense / (credit)	950	(752)
Total tax	<u>7,489</u>	<u>20,925</u>
Total tax:		
Profit for the period before tax	123,398	83,426
Expected tax expense at tax rate of 23% (2012: 24.5%)	28,382	20,439
Effect of :		
Adjustment in respect of prior periods	(346)	6
Permanent timing differences	837	713
Effect of rate of change	35	79
Group relief received for nil consideration	(21,419)	(312)
Actual total tax charge	<u>7,489</u>	<u>20,925</u>

The tax charge for the period has been reduced by £21,419k (2012: £312k) because of losses surrendered by one group company to another. No payment for this surrender is to be made.

Notes to the financial statements

Deferred taxation

	Statement of financial position (as at)			Statement of comprehensive income (period ended)	
	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000	29 March 2014 £'000	31 December 2012 £'000
Accelerated tax depreciation	214	(590)	(559)	804	(31)
IFRS Conversion temporary difference	-	1,773	703	(1,773)	1,070
Other temporary differences	19	-	287	19	(287)
Net deferred tax asset / (liability)	233	1,183	431		
Net deferred tax credit / (expense)				(950)	752
Total deferred tax asset	233	1,773	952		
Total deferred tax liability	-	(590)	(521)		

There were no tax movements within other comprehensive income in the period.

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
Cost or valuation	
At 1 January 2012	1,021
Additions	86
At 31 December 2012 / 1 January 2013	1,107
Additions	477
At 29 March 2014	1,584
Accumulated amortisation	
At 1 January 2012	555
Charge for the year	185
At 31 December 2012 / 1 January 2013	740
Charge for the period	237
At 29 March 2014	977
Net book value at 29 March 2014	607
Net book value at 31 December 2012	367
Net book value at 31 December 2011	466

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 or valuation				
1 January 2012	8,114	4,607	42,466	55,187
Additions	3,267	767	16,193	20,227
Disposals	-	(1,052)	(82)	(1,134)
31 December 2012 / 1 January 2013	11,381	4,322	58,577	74,280
Additions	4,495	1,100	30,002	35,597
Disposals	(94)	(690)	(639)	(1,423)
29 March 2014	15,782	4,732	87,940	108,454
Accumulated depreciation				
1 January 2012	4,339	2,388	20,108	26,835
Charge for the year	1,610	795	4,504	6,909
Disposals	-	(885)	(32)	(917)
31 December 2012 / 1 January 2013	5,949	2,298	24,580	32,827
Charge for the period	2,420	1,063	8,188	11,671
Disposals	(68)	(492)	(460)	(1,020)
At 29 March 2014	8,301	2,869	32,308	43,478
Net book value at 29 March 2014	7,481	1,863	55,632	64,976
Net book value at 31 December 2012	5,432	2,024	33,997	41,453
Net book value at 31 December 2011	3,775	2,219	22,358	28,352

The carrying value of assets held under finance lease and hire purchase contracts at 29th March 2014 was £164k (31 December 2012 : £397k, 2011 : £1,060k) total depreciation charged on these assets during the period was £227k (2012 : £172k). There were no additions during the period (2012 : no additions) in relation to these assets. The assets held under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Under the terms of the Group loan facility in place at 29 March 2014, a fixed charge existed over all property, plant and equipment with the exception of £1.1m NBV of assets within the Land and Building category and £12.0m NBV of assets held within the plant, fixtures and equipment category, over which a floating charge was held. (2012 & 2011 : a fixed charge existed over all property, plant and equipment.)

For all balance sheet dates; included within land and buildings is land with a cost of £100k which is not depreciated.

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
The net book value of land and buildings comprises:			
Freehold land and buildings	148	149	151
Short leasehold improvements	7,333	5,283	3,624
	7,481	5,432	3,775

Notes to the financial statements

10 Inventories

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Goods for resale	170,371	117,242	96,405

In the period to 29 March 2014 £1,008.7m was recognised as an expense for inventories carried at net realisable value (2012 : £624.6m). Included in this amount was £0.3m (2012 : £0.1m) of net inventory write down.

11 Trade and other receivables

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Trade receivables	10,202	19,300	21,730
Provision for impairment	(2)	-	-
Net trade receivables to non-related parties	10,200	19,300	21,730
Prepayments	12,018	14,697	4,514
Related party receivables	23,352	6,646	3,786
Non-interest bearing intergroup funding	124,926	33,225	31,047
Other receivables	287	42	362
	170,783	73,910	61,439

Trade 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:

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Impairment during the period	(2)	-	-
Utilised/released during the period	-	-	-
Balance at the period end	(2)	-	-

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

At each period end a significant balance was held with Multi-Lines International Company Ltd (2014 : £23.3m, 2012 : £6.6m, 2011 : £3.8m, see note 22). Multi-Lines are a supplier with whom the company carries a large deposit, they are also an associate of the Group and due to this and the long trading history between the companies, including no history of issues regarding recovery of the deposit balance, the management do not believe this balance to be at risk.

Notes to the financial statements

At 29 March 2014 a significant balance (£3.8m) was held with Barclays Mercantile Business Finance Limited in respect of a sale and leaseback transaction. However this was settled immediately following the year end.

There are no significant balances within the remaining debtors and as such there is no specific concentration of credit risk.

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

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Neither past due nor impaired	170,452	73,430	61,317
Past due less than one month	203	220	85
Past due between one and three months	128	260	37
Total trade and other receivables	170,783	73,910	61,439

12 Cash and cash equivalents

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Cash at bank and in hand	23,480	78,790	38,352

13 Trade and other payables

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Trade payables	59,078	75,734	56,519
Other tax and social security payments	19,225	15,283	11,837
Accruals and deferred income	23,770	17,619	12,085
Non-interest bearing intragroup funding	47	99	10,426
Related party trade payables	858	230	436
Amounts due under finance leases	22	277	387
Other payables	31	16	5,003
	103,031	109,258	96,693

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 22.

Notes to the financial statements

14 Non-current liabilities

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Amounts due under finance leases	-	44	321
Accruals and deferred income	34,857	19,995	11,377
	<u>34,857</u>	<u>20,039</u>	<u>11,698</u>

Over the three period ends, the finance leases have interest rates varying from 3.6 to 19.9% and a maturity date no later than 2014. Further information is available in note 19.

15 Other financial assets and liabilities

Other financial assets

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Financial assets at fair value through profit and loss:			
Foreign exchange forward contracts	-	-	996
Total current other financial assets	<u>-</u>	<u>-</u>	<u>996</u>

Other financial liabilities

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Financial liabilities at fair value through profit and loss:			
Foreign exchange forward contracts	1,429	190	-
Fuel swap contracts	19	-	-
Total current other financial liabilities	<u>1,448</u>	<u>190</u>	<u>-</u>

Financial assets and liabilities 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 :

	29 March 2014 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Foreign exchange contracts	(1,429)	-	(1,429)	-
Fuel swap contract	(19)	-	(19)	-
	31 December 2012 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Foreign exchange contracts	(190)	-	(190)	-
	31 December 2011 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Foreign exchange contracts	996	-	996	-

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.

16 Provisions

	Property provision £'000	Onerous lease £'000	LTIP £'000	Other £'000	Total £'000
At 1 January 2012	2,740	-	-	1,134	3,874
Provided in the period	1,600	755	-	1,499	3,854
Utilised / released during the period	(1,300)	-	-	(1,126)	(2,426)
At 31 December 2012	3,040	755	-	1,507	5,302
At 1 January 2013	3,040	755	-	1,507	5,302
Provided in the period	1,125	677	3,556	5,048	10,406
Utilised/released during the period	(520)	(451)	(3,556)	(2,058)	(6,585)
At 29 March 2014	3,645	981	-	4,497	9,123
Current liabilities 2014	2,085	392	-	4,497	6,974
Non-current liabilities 2014	1,560	589	-	-	2,149
Current liabilities 2012	800	377	-	1,507	2,684
Non-current liabilities 2012	2,240	378	-	-	2,618
Current liabilities 2011	960	-	-	1,134	2,094
Non-current liabilities 2011	1,780	-	-	-	1,780

Notes to the financial statements

The property provision relates to the expected future costs of dilapidations on specific leasehold properties. The timing in relation to the utilisation of these provisions is dependent upon the lease terms.

The onerous lease provision relates to the best estimate of costs to exit the relevant leasehold properties. The timing in relation to the utilisation of these provisions is dependent upon the lease terms.

The LTIP provision relates to the management LTIP which matured at December 2013. The other provisions principally relate to disputes concerning insurance liability claims. The directors believe it would be seriously prejudicial to disclose any further information in relation to these provisions as the disputes are ongoing.

17 Share capital

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Authorised, allotted, called up and fully paid			
905,000 "A" ordinary shares of £1 each	905	905	905
95,000 "B" ordinary shares of £1 each	95	95	95
1,810,000 "C" ordinary shares of 50p each	905	905	905
At 29 March 2014	<u>1,905</u>	<u>1,905</u>	<u>1,905</u>

18 Reserves

	Retained earnings £'000
At 1 January 2012	101,520
Profit for the year	62,501
At 31 December 2012 / 1 January 2013	<u>164,021</u>
Profit for the period	115,909
At 29 March 2014	<u>279,930</u>

19 Commitments

Operating leases

The vast majority of the company's operating lease commitments relate to the property comprising our store network. At the year end over 90% of these leases expire by March 2028. 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 contingent rent agreements at the year end date. The following table sets out the total future minimum lease payments, taking account of lease incentives, under non-cancellable operating leases.

Notes to the financial statements

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Not later than one year	61,852	43,508	33,501
Later than one year and not later than five years	253,403	181,482	132,218
Later than 5 years	337,242	260,453	193,736
	652,497	485,443	359,455

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

	29 March 2014 £'000	31 December 2012 £'000
Lease payments	72,815	41,821
Sublease receipts	(168)	(131)
	72,647	41,690

Finance leases

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are, as follows:

	Minimum payments £'000	PV of minimum payments £'000
29 March 2014		
Not later than one year	22	22
Between one and five years	-	-
	22	22
31 December 2012		
Not later than one year	281	277
Between one and five years	48	44
	329	321
31 December 2011		
Not later than one year	407	387
Between one and five years	329	321
	736	708

Capital commitments

There were no contractual capital commitments not provided within the company financial statements at each balance sheet date.

20 Group information and ultimate parent undertaking

The directors of the company consider the ultimate parent undertaking and the controlling related party of this company to be B&M European Value Retail SA, registered in Luxembourg. The directors consider the entity's parent undertaking to be EV Retail Limited a company registered in England and Wales and previously known as Firesource Limited.

Notes to the financial statements

21 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 price risk. Price risk is not considered material to the business as the group 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.

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. 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, 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.

Foreign currency sensitivity

The following tables demonstrate 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 is largely due to changes in the fair value of the FX forward contracts

Notes to the financial statements

	Change in USD rate	29 March 2014 £'000	31 December 2012 £'000
Effect on profit before tax	+2.5%	(2,506)	(275)
	-2.5%	2,634	231
Effect on equity	+2.5%	(1,930)	(208)
	-2.5%	2,028	174

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. The principal credit risk arises therefore from the company's trade receivables.

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.

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
29 March 2014					
Fuel swap contract	19	-	-	-	19
Forward foreign exchange contracts	1,407	-	-	-	1,407
Trade payables	59,936	-	-	-	59,936
Intragroup funding	47	-	-	-	47
Accruals and deferred income	4,923	5,773	18,877	10,206	39,779

Notes to the financial statements

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
31 December 2012					
Forward foreign exchange contracts	393	-	-	-	393
Trade payables	75,964	-	-	-	75,964
Intragroup funding	99	-	-	-	99
Accruals and deferred income	2,196	3,248	11,088	5,659	22,191

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
31 December 2011					
Trade Payables	56,955	-	-	-	56,955
Intragroup funding	10,426	-	-	-	10,426
Accruals and deferred income	1,267	1,895	6,595	2,885	12,642

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.

	29 March 2014 £'000	31 December 2012	31 December 2011 £'000
Financial assets			
Fair value through profit and loss			
Forward foreign exchange contracts	-	-	996
Loans and receivables			
Cash and cash equivalents	23,480	78,790	38,352
Trade receivables	33,552	25,946	25,516
Intragroup funding	124,926	33,225	31,047
Other receivables	287	42	362
Financial liabilities			
Fair value through profit and loss			
Forward foreign exchange contracts	1,429	190	-
Fuel price swap	19	-	-
Other financial liabilities			
Finance lease commitments	22	321	708
Trade payables	59,967	75,790	56,519
Intragroup funding	47	99	10,426
Accruals and deferred income	39,780	22,191	12,644
Other payables	31	16	5,003

Notes to the financial statements

22 Related party transactions

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

Multi-Lines, a supplier, and Home Focus Group, a customer, have been associates of the Group since December 2012. Prior to this Multi-Lines was part owned by the directors of EV Retail Ltd.

Ropley Properties Ltd, Triple Jersey Ltd, Rani Investments and Speke Point Ltd, all landlords of properties occupied by the group, are directly or indirectly owned by Simon and Bobby Arora or their family trusts.

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

	Period ended 29 March 2014 £'000	Year ended 31 December 2012 £'000
Sales to related parties:		
Home Focus Group Limited	405	-
	<u>405</u>	<u>-</u>
Purchases from related parties:		
Multi-Lines International Company Ltd	54,057	31,257
Rani Investments	237	173
Ropley Properties Ltd	3,232	2,428
Speke Point Ltd	1,116	-
Triple Jersey Ltd	1,770	856
	<u>60,412</u>	<u>34,714</u>

The following table sets out the total amount of trading balances with related parties outstanding at the period end. Note that the debtors balance held by Multi-Lines International is a deposit on account and nets against a GRNI balance of £28.3m at 29 March 2014 (£2.1m at 31 December 2012, £1.6m at 31 December 2011).

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Trade receivables from related parties:			
Home Focus Group Ltd	29	-	-
Multi-Lines International Company Ltd	23,323	6,646	3,786
	<u>23,352</u>	<u>6,646</u>	<u>3,786</u>
Trade payables to related parties:			
Rani Investments	(57)	(17)	(51)
Ropley Properties Ltd	(530)	(213)	(385)
Triple Jersey Ltd	(271)	-	-
	<u>(858)</u>	<u>(230)</u>	<u>(436)</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.

Notes to the financial statements

The business has not recorded any impairment of trade receivables relating to amounts owed by related parties at 29 March 2014. This assessment is undertaken each year through examining the financial position of the related party and the market in which the related party operates.

In addition to the above the company receives and provides funding to other group members. The overall balances for intragroup funding are as given below.

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Intragroup funding			
Received from other group members	(47)	(99)	(10,426)
Provided to other group members	124,926	33,225	31,047

All intragroup funding is non-interest bearing.

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

	Period ended 29 March 2014 £'000	Year ended 31 December 2012 £'000
Receipt / (Provision) of Group Relief		
B&M European Value Retail 2 Limited	(10,154)	-
B&M European Value Retail 3 Limited	17,069	-
B&M European Value Retail 4 Limited	(27,732)	-
B&M Retail Limited	21,419	312
EV Retail Limited	(44)	(312)
Meltore Limited	(558)	-

During the period ended 29 March 2014 key management of the company were remunerated £550k (2012 : £nil) by the group company B&M European Value Retail 4 Limited.

Notes to the financial statements

23 Reconciliation of profit before tax to cash generated from operations

	Period to 29 March 2014 £'000	Year to 31 December 2012 £'000
Profit before tax	123,398	83,426
Adjustments for:		
Net interest expense/(credit)	132	(180)
Depreciation	11,671	6,909
Amortisation of intangible assets	237	185
Loss / (profit) on disposal of property, plant and equipment	62	(125)
Change in inventories	(53,129)	(20,837)
Change in trade and other receivables	(5,172)	(12,471)
Change in trade and other payables	8,943	21,026
Change in provisions	3,821	1,695
Loss on fair value of financial derivatives	1,257	1,186
Cash generated from operations	91,220	80,814

24 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 group. 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;

	29 March 2014 £'000	31 December 2012 £'000	31 December 2011 £'000
Interest bearing loans and borrowings	457,625	33,341	41,141
Less: Cash and short term deposits	(23,731)	(81,210)	(38,615)
Net debt	433,894	(47,869)	2,526

Notes to the financial statements

25 Post balance sheet events

On 17 June 2014 the ultimate parent company listed on the London Stock Exchange via an Initial Public Offering.

26 Contingent liabilities and guarantees

As at 29 March 2014, the group companies B&M European Value Retail Holdco 1 Limited, B&M European Value Retail Holdco 2 Limited, B&M European Value Retail Holdco 3 Limited, B&M Value Retail Holdco 4 Limited, B&M Value Retail 2 Sarl, EV Retail Ltd, B&M Retail Limited, Opus Homewares Limited and Meltore Limited were all guarantors to the loan agreement, which was formally held within B&M European Value Retail Holdco 3 Limited. The amount outstanding at the period end was £457.6m, with the balance in B&M European Value Retail Holdco 4 Limited.

As at 31 December 2012 and 31 December 2011, the Group companies EV Retail Limited, Meltore Limited, Opus Homewares Limited and B&M Retail Limited were all guarantors to the loan agreement which was formally held within EV Retail Limited. The amount outstanding at each period end was £31.3m and £41.1m respectively with the balance held in EV Retail Limited.

27 Explanation of transition to IFRS

This is the first time that the company has presented its financial information under IFRS. The accounting policies set out above have been applied in preparing the financial information for the 65 week period ended 29 March 2014, the comparative information presented in this financial information for the year ended 31 December 2012 and in the preparation of the opening IFRS statement of financial position at 1 January 2012.

Notes to the financial statements

27 Explanation of transition to IFRS – continued**Reconciliation at 1 January 2012**

	Note	UK GAAP £'000	Transition to IFRS £'000	IFRS £'000
Assets				
Non-current				
Investments	1	7	(7)	-
Intangible assets	2	-	466	466
Property, plant and equipment	2,3	28,194	158	28,352
Deferred tax asset	4	-	952	952
		28,201	1,569	29,770
Current assets				
Cash and cash equivalents		38,352	-	38,352
Inventories		96,405	-	96,405
Trade and other receivables		61,439	-	61,439
Other financial assets	5	-	996	996
		196,196	996	197,192
Total assets		224,397	2,565	226,962
Equity				
Share capital		(1,905)	-	(1,905)
Retained earnings	6	(103,634)	2,114	(101,520)
		(105,539)	2,114	(103,425)
Current liabilities				
Trade and other payables	7,10	(106,195)	9,502	(96,693)
Income tax payable	7	-	(10,751)	(10,751)
Provisions	8	-	(2,094)	(2,094)
		(106,195)	(3,343)	(109,538)
Non-current liabilities				
Provisions	8,9,10	(4,146)	2,366	(1,780)
Deferred tax liability	9	-	(521)	(521)
Other payables	10	(8,517)	(3,181)	(11,698)
		(12,663)	(1,336)	(13,999)
Total liabilities		(118,858)	(4,679)	(123,537)
Total equity and liabilities		(224,397)	(2,565)	(226,962)

Notes to the financial statements

Notes to the reconciliation as at 1 January 2012

1. On conversion to IFRS the investment in NISA scheme held within the company has been written off.
2. The assets classed as software upon conversion to IFRS did not meet the definition of tangible property, plant and equipment and therefore £466k of assets have been reclassified to intangible assets.
3. On conversion to IFRS additional reverse lease premium of £624k has been recognised in relation to lease incentives in line with the recognition requirements of IAS 17.
4. A deferred tax asset of £952k has been recognised due to timing differences arising on the recognition of additional reverse lease premium.
5. In line with IAS 39 the foreign exchange contracts, which have previously not been recognised within the UK GAAP, have been recognised at their fair value as fair value through profit and loss balances, resulting in balances being recognised within the statement of financial position.
6. The charges to retained earnings are due to the recognition of additional reverse lease premium balances (see note 10), the recognition of foreign exchange derivatives (see note 5) and the write off of the NISA investment (see note 1). All of these adjustments are post tax.
7. In line with disclosure requirements contained within International Financial Reporting Standards the income tax payable account has been reclassified from trade and other payables to the income tax payable account.
8. Due to the transition to IFRS the previously undisclosed maturity of the provisions within UK GAAP has resulted in reclassification of amounts due within the next 12 months from non-current provisions.
9. On converting to IFRS in line with the disclosure requirements deferred taxation provision has been reclassified from provisions to deferred tax liability account resulting in reclassification of £272k balance. Additionally, due to the recognition of the foreign exchange forward contract deferred tax impact has been created resulting in additional recognition of £249k balance, credited to the deferred tax liability account, resulting in the final liability recognition of £521k.
10. Due to recognition of the additional reverse lease premium within the financial statements an additional resulting liability of £4,430k has been recognised, a small part of which was reclassified from other provisions. This balance has been further reclassified in line with the maturity dates of the underlying contracts producing recognition of £1,267k current liability contained within accruals and deferred income and £3,163k non-current liability.

Notes to the financial statements

27 Explanation of transition to IFRS – continued**Reconciliation at 31 December 2012**

	Note	UK GAAP £'000	Transition to IFRS £'000	IFRS £'000
Assets				
Non-current				
Investments	1	7	(7)	-
Intangible assets	2	-	367	367
Property, plant and equipment	2,3	40,834	619	41,453
Deferred tax asset	4,5	-	1,773	1,773
		40,841	2,752	43,593
Current assets				
Cash and cash equivalents		78,790	-	78,790
Inventories		117,242	-	117,242
Trade and other receivables		73,910	-	73,910
		269,942	-	269,942
Total assets		310,783	2,752	313,535
Equity				
Share capital		(1,905)	-	(1,905)
Retained earnings	6	(169,962)	5,941	(164,021)
		(171,867)	5,941	(165,926)
Current liabilities				
Trade and other payables	7,8	(119,292)	10,034	(109,258)
Income tax payable	7	-	(12,230)	(12,230)
Other financial liabilities	9	-	(190)	(190)
Provisions	10,11	-	(2,684)	(2,684)
		(119,292)	(5,070)	(124,362)
Non-current liabilities				
Provisions	10	(6,159)	3,541	(2,618)
Deferred tax liability	11	-	(590)	(590)
Other payables	8	(13,465)	(6,574)	(20,039)
		(19,624)	(3,623)	(23,247)
Total liabilities		(138,916)	(8,693)	(147,609)
Total equity and liabilities		(310,783)	(2,752)	(313,535)

Notes to the financial statements

27 Explanation of transition to IFRS – continued

Reconciliation of total comprehensive income for the year ended 31 December 2012

	Note	UK GAAP £'000	Transition to IFRS £'000	IFRS £'000
Revenue		935,229	-	935,229
Cost of sales		(616,483)	-	(616,483)
Gross profit		318,746	-	318,746
Administrative expenses	12	(230,603)	(4,897)	(235,500)
Operating profit		88,143	(4,897)	83,246
Net interest	13	180	(180)	-
Finance costs	13	-	(20)	(20)
Finance income	13	-	200	200
Profit before tax		88,323	(4,897)	83,426
Income tax expense	14	(21,995)	1,070	(20,925)
Profit and total comprehensive income for the year		66,328	(3,827)	62,501

Notes to the reconciliation as at 31 December 2012

1. On conversion to IFRS the investment in NISA scheme held within the company has been written off.
2. The assets classed as software upon conversion to IFRS did not meet the definition of tangible property, plant and equipment and therefore £367k worth of assets has been reclassified to intangible assets.
3. On conversion to IFRS additional reverse lease premium of £986k has been recognised in relation to lease incentives granted in line with the recognition requirements of IAS 17.
4. A deferred tax asset of £1,733k has been recognised due to timing differences arising on the recognition of additional reverse lease premium.

Notes to the financial statements

5. Upon recognition of the fair value of foreign exchange contracts within the financial statements, additional impact has been created in relation to deferred taxation, which has resulted in a deferred tax asset of £40k due to timing differences arising on the recognition of additional reverse lease premium.
6. The charges to retained earnings are as a result of the adjustments to profit as shown in the reconciliation of total comprehensive income and the brought forward effect from the prior year IFRS adjustment in the 31 December 2011 reconciliation.
7. In line with disclosure requirements contained within International Financial Reporting Standards the income tax payable account has been reclassified from Trade and other payables to the Income tax payable account.
8. Due to recognition of the additional reverse lease premium within the financial statements additional resulting liability of £8,770k has been recognised. This balance has been further reclassified in line with the maturity dates of the underlying contracts producing recognition of £2,196k current liability contained within accruals and deferred income and £6,574k non-current liability.
9. In line with IAS 39 the foreign exchange contracts, which have previously not been recognised within the UK GAAP, have been recognised at their fair value as fair value through profit and loss balances, resulting in balances being recognised within the statement of financial position.
10. Due to the transition to IFRS the previously undisclosed maturity of the provisions within UK GAAP has resulted in reclassification of amounts due within the next 12 months from non-current provisions. Additionally £267k was removed from provisions and recognised within reverse lease premium, in line with IAS 17.
11. On converting to IFRS in line with the disclosure requirements deferred taxation provision has been reclassified from provisions to deferred tax liability account resulting in reclassification of £590k balance.
12. The increase in administrative expenses is due to the additional recognised reverse lease premium balances (see note 8) and the fair value loss in the foreign exchange derivatives (see note 9).
13. In line with IFRS disclosure requirements, the net financial income has been split between income and expense.
14. The tax effect is as a result of the items mentioned in note 12.