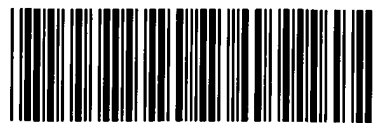


Financial statements B&M Retail Limited

For the period from 26 March 2017 to 31 March 2018

Company Number: 01357507

SATURDAY



A7B5PJXL

A05

28/07/2018

#166

COMPANIES HOUSE

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 |
| Statement of directors' responsibilities | 11 |
| Report of the directors | 12 |
| Independent auditor's report to the members of B&M Retail Limited | 14 |
| Statement of comprehensive income | 16 |
| Statement of financial position | 17 |
| Statement of changes in equity | 18 |
| Statement of cash flows | 19 |
| Notes to the financial statements | 20 |

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 and we have also introduced a range of frozen and chilled products into 70 stores.

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 bestselling 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 14.4% (excluding this year's 53rd week, see the financial performance section below) and our like-for-like¹ sales growth of 4.7%.
- Expansion of the store estate. The company has a strong commitment to continue to roll out new stores in the UK, and we continue to stand by our long term target of at least 950 stores. In the period ended 31 March 2018 we have opened 47 (net 38) stores and at the end of this period the company now trades from 576 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.
- We continue to invest in our people and infrastructure and we have created over 1,000 new jobs in the FY18, principally as a result of our new store opening programme but also investments in our head office teams. We have also invested £16.4m as part of a rolling programme of maintenance capital expenditure across the estate.
- In order to allow us to continue our new store opening programme we recognise that we need to invest in our warehouse capacity and during the period under review, a Group company has acquired land in Bedford in the South of the UK upon which a new, one million square foot warehouse will be opened early in 2020.

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

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 we are reporting a 53 week year, we present below a reconciliation to 52 week figures for profit and loss that includes a reconciliation to the non-IFRS measure of EBITDA. The directors believe that the non-IFRS 52-week measures and EBITDA are reflective of the underlying business performance and therefore provides additional useful information to the users of the accounts.

| | 53 weeks to 31-Mar-18 £'000 | 1 week to 31-Mar-18 £'000 | 52 weeks to 24-Mar-18 £'000 | 52 weeks to 25 Mar-17 £'000 |
|--|-----------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Revenue | 2,629,145 | 53,528 | 2,575,617 | 2,252,265 |
| Gross profit | 888,878 | 18,162 | 870,716 | 777,785 |
| Operating profit | 235,898 | 3,494 | 232,404 | 197,899 |
| Profit before tax | 236,006 | 3,496 | 232,510 | 198,006 |
| Add back net finance income | (108) | (2) | (106) | (107) |
| Add back depreciation and amortisation | 26,486 | 727 | 25,759 | 22,277 |
| EBITDA | 262,384 | 4,221 | 258,163 | 220,176 |

Revenues for the period to 31 March 2018 were £2,629.1m (52 week period to 24 March 2018 were £2,575.6m and for the period to 25 March 2017 were £2,252.3m, an increase of 14.4%). This was driven by the growth of the estate, both through the annualisation of new stores opened in the prior year and the net 39 stores opened in the current year, as well as the 4.7% like for like growth.

The gross profit for the period to 31 March 2018 was £888.9m at a margin of 33.8%. The 52 week Gross profit figure was £870.7m, an increase of 11.9% on the prior year figure of £777.8m. The 52 week margin was 33.8% compared to 34.5% with the reduction largely due to a slight shift towards FMCG and grocery categories in our sales mix as the UK consumer seeks out value as a result of the reduction in disposable income. There has also been an increase in low margin wholesale intercompany sales (see note 21).

52 week earnings before interest, tax, depreciation and amortisation (EBITDA) for 2018 was £258.2m and for 2017 was £220.2m, an increase of 17.3%.

Tangible and intangible capital expenditure in the period to 31 March 2018 was £46.3m (2017: £41.8m). Significant investments were made supporting the new store roll out programme with the addition of a net 39 stores

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 a business that is as sustainable and environmentally friendly 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,

Strategic report

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 since the 5p carrier bag levy was introduced in England and Wales in October 2015. We have an 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 2017/18 we donated around £500k 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 14.8% decrease over the year (36.2 against 42.5).

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

- Our UK warehouses are based in the North West of England and approximately 65% of imported goods are shipped to the Port of Liverpool, thereby reducing the extent of overland transport from ports in the South of England.
- We continue to invest in energy efficient LED lighting in our new stores, and as part of our existing store estate maintenance and refresh programmes we invest in switching to LED lighting wherever we feasibly can. We now also have LED lighting installed in three of our four main distribution centre locations.
- We continue to upgrade our transport fleet and we have introduced 50 new tractor units in FY2018 and we have ordered a further 60 units for delivery in the summer of 2018. The vast majority of our B&M transport fleet in the UK is now less than two years old.
- We have continued to invest in "wedge" trailers which increase trailer capacity and therefore maximises transport utilisation and minimises distribution mileage travelled. We have acquired 50 of these trailers in FY2018 and ordered a further 50 for FY2019; and
- Additionally to improve the efficiency of our fleet and save on miles drive, fuel and emissions, we have introduced a new transport scheduling system which has optimised routes and reduced mileage.

Supply chain and ethics

We have a significant number of long standing relationships with our suppliers. We regard our suppliers as business partners in terms of our relationships and dealings with them. We like to maintain simple, transparent net prices and to minimise the use of rebates and retrospective discounts.

We use a standard set of terms and conditions of purchase, and provided the goods meet relevant quality and safety standards, we will pay the supplier within the agree payment terms, and our import suppliers are normally paid in advance of the goods arriving into the UK.

It 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 that our customers can be assured of the safety, quality and integrity of the products they buy from our stores.

In relation to anti-slavery and human trafficking, we have a zero tolerance policy on 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 continued to communicate our Workplace Policy to new suppliers along with our standard terms and conditions of purchase which make it a condition of trading with B&M that suppliers adhere to our Workplace Policy standards.

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.

Strategic report

Our policy on anti-bribery and corruption is also one of zero tolerance. Our colleagues are aware of the importance of reporting any offers of inducements by any third parties up the management chain in each business immediately up to director level. Each year an annual review is also undertaken of our buying teams requiring written reports to be completed of any suspected or actual incident of bribery or corruption between any third party and the business. That due diligence disclosed no instances in our business this year of any such activity having taken place or having been suspected. Within the whistle blowing reports in relation to the year under review, no reports have been made of any instances of bribery or corruption between B&M and any third parties.

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 207 in the year at an average of 0.4 per store (2017: 119, 0.2), which should be seen in the context of 217 million shopper visits per annum (2017: 196m).

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.

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 1,000 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.

We develop our own talent from within our own business wherever we can, under our Step-Up programme, where they have training over an 8 month period on various aspects of our store operations. This includes store standards merchandising, productivity and how to manage store teams effectively. Overall in the last financial year 194 colleagues were promoted to either store manager or deputy manager positions.

We also reward our store management teams through an annual bonus scheme and we run regular incentive schemes to drive performance and also to engage with the teams by rewarding them for high performance. We have a share incentive plan open to all employees after 12 months service to take up the opportunity to participate in the future success of the overall B&M corporate group.

We have developed an e-based portal which provides engagement for our regional and area managers with our central operations team and with each other. This gives them instant information updates through smart tablets distributed by B&M to them on a range of business, operational and workplace engagement matters on a daily basis. It keeps them connected and they are then able to cascade relevant information to their own store managers for their teams throughout the whole store estate.

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.

Under our equal opportunities policy we recognise and actively encourage the benefits of having a diverse workforce across our business.

Strategic report

The gender split of our workforce is as follows;

| | Directors | Senior Management | All Staff |
|--------|-----------|-------------------|-----------|
| Male | 4 | 22 | 11,221 |
| Female | - | 16 | 14,190 |

We have redefined Senior Management within the year and the comparable figures for the prior period were 24 male and 12 female. Overall 42% of our senior management are female (2017: 33%) and 56% (2017: 55%) of our whole workforce.

This is the first year of our reporting with regards to the Gender Pay Gap. Our report, which is published on our own corporate website, www.bandmretail.com and through the HMRC portal <https://gender-pay-gap.service.gov.uk/> showed that hourly pay for male colleagues was equal when measured as a median average and 7.6% higher when measured as a mean. The full report also includes detail on our pay quartiles and bonuses paid.

Community

Our policy on social and community engagement is to continue to make investments in new stores and jobs in local communities where we are under-represented or not represented at all in the UK, provide value for money to our customers and foster long standing relationships with our suppliers and promote ethical trading policies and practices within our supply chains.

We like to be an important part in the life of people in local communities where we trade by providing job opportunities and also through our value pricing business model enabling household budgets to go that bit further. This helps us to build relationships within communities where we operate our stores, where our store colleagues and our customers work and live.

When we open a new store, we try to 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. This is one small way in which we can help promote and support the good work which they do in their local community and we actively encourage our store managers to maintain their local her relationship going forward.

In relation to both jobs at stores and also in our distribution centres we have had a successful initiative over a number of years now in the UK which is focussed on helping long-term unemployed back into work. In the year under review, another 175 long-term unemployed people secured a role within B&M.

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 appropriately 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.

Strategic report

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 not changed during the year.

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 increased during the year due to the introduction of the General Data Protection Regulation which we have mitigated by introducing new policies and processes as well as appointing an internal data supervisor.

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. We maintain 6-12 months of foreign exchange hedging cover. The level of the risk has not changed during the year.

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.

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 decreased during the year due to the success of the roll out of the new Warehouse Management System.

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 remained the same during the year as despite the continuing store expansion, we now have plans in operation in respect of bringing a new major distribution centre online in 2020.

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.

Strategic report

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 – The UK's planned exit from the European Union has several potential impacts in the areas of economic & regulatory environment; withholding tax paid on internal dividends; import of goods due to currency exchange volatility & increased import duties; availability & cost of labour; and potentially as yet some unknown impacts depending upon the terms of the exit. We have mitigated the short term currency risk by utilising foreign exchange hedging but with respect to the more fundamental changes, the level of risk is unknown due to significant uncertainty regarding the outcome of the exit negotiations and British leadership's position on these. We will continue to monitor developments and understand the interpretation's with respect to potential risks and act accordingly. We do not consider this risk to have increased as the majority of imported goods from the Far East are made directly into the UK where they are to be sold, and the amount of goods imported from Europe is not material.

ON BEHALF OF THE BOARD

P A McDonald

P McDonald
Director
12 July 2018

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the directors

The directors present their report together with the financial statements for the period from 26 March 2017 to 31 March 2018. 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

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

Dividends

In November 2017 and March 2018 dividends were declared totalling £23.0m and £55.0m respectively. See note 25.

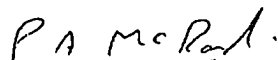
Future developments

The company is expected to continue adopting the strategy as outlined in the preceding Strategic report.

Auditors

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
12 July 2018

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 Ltd

Opinion

We have audited the financial statements of B&M Retail Limited ("the company") for the period ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.



Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at;
www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

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

20 July 2018

Statement of Comprehensive Income

| | Note | 53 weeks to 31 March 2018 £'000 | 52 weeks to 25 March 2017 £'000 |
|--|------|---------------------------------------|---------------------------------------|
| Revenue | 2 | 2,629,145 | 2,252,265 |
| Cost of sales | | (1,740,267) | (1,474,480) |
| Gross profit | | 888,878 | 777,785 |
| Administrative expenses | | (652,980) | (579,886) |
| Operating profit | 3 | 235,898 | 197,899 |
| Finance costs | 4 | (61) | (5) |
| Finance income | 4 | 169 | 112 |
| Profit before tax | | 236,006 | 198,006 |
| Income tax expense | 8 | (41,563) | (37,338) |
| Profit for the period | | 194,443 | 160,668 |
| Other comprehensive income for the period | | | |
| Items which may be reclassified to profit and loss: | | | |
| Fair value movement as recorded in the hedging reserve | | (15,659) | (1,666) |
| Tax effect of other comprehensive income | | 2,478 | 376 |
| Total comprehensive income for the period | | 181,262 | 159,378 |

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

| | | 31 March 2018 £'000 | 25 March 2017 £'000 |
|-------------------------------------|----|---------------------------|---------------------------|
| Non-current assets | | | |
| Intangible assets | 9 | 6,010 | 4,263 |
| Property, plant and equipment | 10 | 152,815 | 134,915 |
| Other receivables | 12 | 2,150 | 2,412 |
| Deferred tax asset | 8 | 3,730 | 359 |
| | | <u>164,705</u> | <u>141,949</u> |
| Current assets | | | |
| Cash and cash equivalents | 13 | 78,916 | 155,849 |
| Inventories | 11 | 494,007 | 411,196 |
| Trade and other receivables | 12 | 269,367 | 142,287 |
| Other financial assets | 15 | - | 349 |
| | | <u>842,290</u> | <u>709,681</u> |
| Total assets | | <u>1,006,995</u> | <u>851,630</u> |
| Equity | | | |
| Share capital | 17 | (1,905) | (1,905) |
| Retained earnings | | (619,178) | (502,120) |
| Hedging reserve | | 14,531 | 1,350 |
| | | <u>(606,552)</u> | <u>(502,675)</u> |
| Non-current liabilities | | | |
| Provisions | 16 | (379) | (739) |
| Other payables | 14 | (78,635) | (75,909) |
| Deferred tax liabilities | 8 | (923) | (1,107) |
| | | <u>(79,937)</u> | <u>(77,755)</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | (277,631) | (244,475) |
| Other financial liabilities | 15 | (16,666) | (2,070) |
| Income tax payable | | (20,562) | (19,786) |
| Provisions | 16 | (5,647) | (4,869) |
| | | <u>(320,506)</u> | <u>(271,200)</u> |
| Total liabilities | | <u>(400,443)</u> | <u>(348,955)</u> |
| Total equity and liabilities | | <u>(1,006,995)</u> | <u>(851,630)</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 12 July 2018 and signed on their behalf by:

P A 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 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 |
| Total comprehensive income for the 53 weeks to 31 March 2018 | - | 194,443 | (13,181) | 181,262 |
| Dividends paid to owners of the company | - | (78,000) | - | (78,000) |
| Effect of share options | - | 615 | - | 615 |
| Balance at 31 March 2018 | 1,905 | 619,178 | (14,531) | 606,552 |

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

Statement of Cash Flows

| Period ended | | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|------|---------------------------|---------------------------|
| | Note | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 22 | 218,288 | 203,068 |
| Movement in intercompany balances | | (207,307) | (62,782) |
| Income tax paid | | (41,864) | (29,235) |
| Net cash flows from operating activities | | <u>(30,883)</u> | <u>111,051</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 10 | (43,424) | (41,798) |
| Purchase of intangible assets | 9 | (2,878) | (2,695) |
| Proceeds from sale of property, plant and equipment | | 144 | 1,564 |
| Interest received | | 169 | 112 |
| Net cash flows from investing activities | | <u>(45,989)</u> | <u>(42,817)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (61) | (5) |
| Net cash flows from financing activities | | <u>(61)</u> | <u>(5)</u> |
| Net increase in cash and cash equivalents | | (76,933) | 68,229 |
| Cash and cash equivalents at the beginning of the period | | 155,849 | 87,620 |
| Cash and cash equivalents at the end of the period | | <u>78,916</u> | <u>155,849</u> |
| Cash and cash equivalents comprise: | | | |
| Cash at bank and in hand | 13 | <u>78,916</u> | <u>155,849</u> |
| | | 78,916 | 155,849 |

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.

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, covering a period of 12 months from the end of the reporting period, 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.

Other administrative expenses

Administrative expenses contain all running costs of the business, except those relating to inventories (which are expensed through cost of sales), tax, interest and other comprehensive income. Transport and warehouse costs are included in this caption.

Elements which are unusual and significant may be separated as a separate line item, this would include items such as material restructuring costs.

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 executive directors are responsible for assessing the performance of the business for the purpose of making decisions about resources to be allocated.

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 |
|----------------------------|---|---------|

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 9. 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. We do not include transport and distribution costs in our valuation of inventory.

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. See note 7 for more detail.

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 £3,730k (2017: £359k) 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 8.

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 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. In the prior year we showed dividends paid in the cash flow, however these are not paid in cash but settled via intercompany accounts and as such the prior year cash flow statement has been restated.

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 company 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.

Notes to the financial statements

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.

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 16.

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 £8.4k (2017: £8.3k). See note 16.

Standards and Interpretations applied and not yet applied by the company

New standards and interpretations

At the date of authorisation of these Financial Statements, the following standards and interpretations relevant to the Group, which have not been applied to these financial statements, were in issue but not yet effective:

| Title | Key Issues | Effective Date | Impact on B&M European Value Retail S.A. |
|--|---|---|---|
| IFRS 15 Revenue from Contracts with Customers | The new standard is a single global revenue standard that contains a single model that applies to two approaches, being at point in time and over time. For complex transactions with multiple components, variable consideration or extended periods, application of the standard can lead to revenue being accelerated or deferred in comparison to current IFRS. | Periods beginning after 1 January 2018, deferred from 1 January 2017. | Management do not consider that this standard will have a material impact on the accounts. |
| IFRS 9 Financial Instruments | IFRS 9 was introduced in 2014 as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. | Periods beginning after 1 January 2018. | Management do not consider that this standard will have a material impact on the accounts. |
| IFRS 16 Leases | IFRS 16 was issued in January 2016 and is effective from 1 January 2019, eliminating the classification of leases as operating leases or finance leases and setting out a single lease accounting model. | Periods beginning after 1 January 2019. | Significant impact on Statement of Financial Position and Income Statement presentation and measurement which is currently under review, more detail follows below. |

Notes to the financial statements

At the date of the authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but are either not yet effective or have not been adopted by the EU:

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements 2014-2016 Cycle

Other than as mentioned in the above, the company does not currently expect that adoption of the other standards and amendments listed will have a significant effect on the consolidated results or financial position of the company.

IFRS 16 Leases

IFRS 16 Leases will be applicable for periods starting after 1 January 2019 and will apply to B&M's accounts commencing 31 March 2019. This standard will significantly affect the presentation of the financial statements as we have over 500 active property leases (primarily related to our store estate) as well as a smaller commitment for other operating leases.

The company has considered the implications of IFRS 16 on the company's consolidated results and has developed a model to account for changes required to be made by the new standard.

Whilst the detailed data has not been audited, the overall model has been reviewed by our auditors including the assumptions and the calculations within the model.

At this stage, and subject to several factors, including the ongoing tax consultation with HMRC, the accounting definition of the retrospective application of cash flows and auditor approval, we expect to use the modified retrospective approach. This will lead to a significant brought forward retained earnings adjustment representing the recognition of a liability that exceeds the recognised asset.

Specifically;

Our Statement of Financial Position will include a liability equal to the present value of all future lease commitments and a corresponding right-of-use asset. Due to discounting it is expected that the liability will be significantly in excess of the asset. Our current gross operating lease commitment is £1,107.7m, £1,089.6m of which is in relation to property leases (see note 18). Our net reverse lease premium balance (currently £90.4m) would be also be derecognised.

Our Statement of Comprehensive Income will have a significantly reduced rental charge, but increased amortisation and interest charge related to the unwinding of the lease liability. Overall the amortisation and interest increase is expected to exceed the reduction in rent in the first years of application. Our current rental charge is £133.3m, £124.7m of which relates to property leases (see note 18).

There will also be subsequent knock-on effects to the presentation of the Statement of Cash Flows.

Notes to the financial statements

2 Segmental information

For management purposes, the company has two reportable operating segments, being the retail and wholesale segments. The wholesale segment has been recognised for the first time due to the increase in (largely inter-company) wholesale sales in the year, the prior year segment note has been updated to reflect this change. 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 segments.

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

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

| 53 week period ended 31 March 2018 | Retail £'000 | Wholesale £'000 | Corporate £'000 | Total £'000 |
|---|-----------------|--------------------|--------------------|----------------|
| Revenue | 2,619,488 | 9,657 | - | 2,629,145 |
| EBITDA | 413,151 | 349 | (151,116) | 262,384 |
| Depreciation and amortisation | - | - | (26,486) | (26,486) |
| Net finance income | - | - | 108 | 108 |
| Income tax expense | - | - | (41,563) | (41,563) |
| Segment profit | 413,151 | 349 | (219,057) | 194,443 |
| Total assets | 513,485 | 4,292 | 489,218 | 1,006,995 |
| Total liabilities | (103,016) | - | (297,427) | (400,443) |
| Capital expenditure (including intangible assets) | - | - | (46,302) | (46,302) |
| 52 week period ended 25 March 2017 | Retail £'000 | Wholesale £'000 | Corporate £'000 | Total £'000 |
| Revenue | 2,249,300 | 2,965 | - | 2,252,265 |
| EBITDA | 355,575 | 241 | (135,640) | 220,176 |
| Depreciation and amortisation | - | - | (22,277) | (22,277) |
| Net finance income | - | - | 107 | 107 |
| Income tax expense | - | - | (37,338) | (37,338) |
| Segment profit | 355,575 | 241 | (195,148) | 160,668 |
| Total assets | 431,853 | 1,316 | 418,461 | 851,630 |
| Total liabilities | (106,954) | - | (242,001) | (348,955) |
| Capital expenditure (including intangible assets) | - | - | (44,493) | (44,493) |

Notes to the financial statements

3 Operating profit

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

| | Period ended 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|--|--|--|
| Auditor's remuneration of the company and other Group entity accounts borne by the company | 166 | 155 |
| Payments to auditors in respect of non-audit services | | |
| Other assurance services | 56 | 40 |
| Inventories: | | |
| Cost of inventories recognised as an expense | 1,756,774 | 1,491,644 |
| Loss/(profit) on sale of property, plant and equipment | 25 | (479) |
| Depreciation of property, plant and equipment: | | |
| Owned assets | 25,355 | 21,845 |
| Amortisation (included within administrative expenses) | 1,131 | 432 |
| Operating lease rentals | 133,527 | 119,316 |
| New store pre-opening costs | 3,605 | 4,571 |
| Loss on foreign exchange | 1,637 | 109 |

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 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|---------------------------------|--|--|
| Interest on debt and borrowings | 61 | 5 |
| Total finance costs | 61 | 5 |

| | Period ended 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|--|--|--|
| Interest income on loans and bank accounts | 169 | 112 |
| Total finance income | 169 | 112 |

Notes to the financial statements

5 Employee remuneration

The expense recognised for employee benefits is analysed below:

| | Period ended 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|--|--|--|
| Wages and salaries | 281,716 | 248,952 |
| Social security costs | 13,552 | 11,617 |
| Pensions - defined contributions plans | 1,169 | 1,017 |
| | <u>296,437</u> | <u>261,586</u> |

There are £163k of outstanding defined contribution pension liabilities held by the company at the year end (2017: £73k).

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

| | Period ended 31 March 2018 | Period ended 25 March 2017 |
|----------------|-------------------------------|-------------------------------|
| Sales staff | 26,066 | 24,144 |
| Administration | 430 | 392 |
| | <u>26,496</u> | <u>24,536</u> |

6 Key management remuneration

Key management personnel and Directors' remuneration includes the following:

| | Period ended 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|--|--|--|
| Directors' remuneration | | |
| Short term employee benefits | 4,649 | 3,254 |
| Benefits accrued under the share option scheme | 280 | 124 |
| | <u>4,929</u> | <u>3,378</u> |
| Key management expense (includes directors) | | |
| Short term employee benefits | 5,283 | 3,700 |
| Benefits accrued under the share option scheme | 280 | 124 |
| | <u>5,563</u> | <u>3,824</u> |
| Amounts in respect of the highest paid director emoluments: | | |
| Short term employee benefits | 2,050 | 1,393 |
| | <u>2,050</u> | <u>1,393</u> |

The employees included within the definition of key management are directors of other Group companies.

Notes to the financial statements

7 Share options

As of 31 March 2018, the B&M corporate group operates two share option schemes, split down to various tranches. Details of these schemes follow. The options have been awarded to B&M Retail employees and directors and the shares that are awarded are those of the ultimate parent, B&M European Value Retail S.A. who are listed on the London Stock Exchange.

1) The Company Share Option Plan (CSOP) scheme

The CSOP scheme was adopted by the Group as a Schedule 4 CSOP Scheme on 29 March 2014. No grant under this scheme can be made more than 10 years after this date.

Eligibility

Employees and executive directors are eligible for the CSOP and the awards are made at the discretion of the corporate group's remuneration committee.

Limits & Pricing

A fixed number of options offered to each participant, with the pricing set as the close price on the grant date. The options offered to each individual cannot exceed a total value of £30,000 measured as the option price multiplied by the number of options awarded, with the whole scheme limited to 10% of the share capital in issue.

Vesting & Exercise

The awards vest on the third anniversary of grant, subject to the following condition:

In order for an option to be eligible for vesting, the underlying UK EBITDA in the last financial year that ended prior to the third anniversary of the grant should not be less than 130% of the underlying UK EBITDA in the last financial year that ended before the grant was made.

Once vested the award can be exercised up until the tenth anniversary of the grant.

Tranches

To the end of March 2018 there have been four tranches of the CSOP, details are as follows:

| | Tranche 1 | Tranche 2 | Tranche 3 | Tranche 4 |
|--|------------|-------------|-------------|-------------|
| Date of grant | 1 Aug 2014 | 11 Aug 2014 | 17 Dec 2015 | 19 Aug 2016 |
| Option price | 271.5p | 267.0p | 286.0p | 276.8p |
| Options granted | 596,646 | 104,860 | 10,489 | 21,676 |
| Fair value of each option at date of grant | 83p | 81p | 79p | 50p |
| Options outstanding at 26 March 2016 | 504,571 | 67,410 | 10,489 | - |
| Granted | - | - | - | 21,676 |
| Forfeited | (44,196) | (7,490) | - | - |
| Exercised | - | - | - | - |
| Options outstanding at 25 March 2017 | 460,375 | 59,920 | 10,489 | 21,676 |
| Granted | - | - | - | - |
| Forfeited | (22,098) | - | - | - |
| Exercised | (427,228) | (59,920) | - | - |
| Options outstanding at 31 March 2018 | 11,049 | - | 10,489 | 21,676 |

No options have lapsed in either period.

Notes to the financial statements

2) Long-Term Incentive Plan (LTIP) Awards

The LTIP was adopted by the corporate group's board on 29 May 2014. No grant under this scheme can be made more than 10 years after this date.

Eligibility

Employees and executive directors are eligible for the LTIP and the awards are made at the discretion of the corporate group's remuneration committee.

Limits & Pricing

A fixed number of options offered to each participant, with the pricing set at £nil. The options offered to each individual cannot exceed a total value of 100% (200% under exceptional circumstances) of the participants base salary where the value is measured as the market value of the shares on grant multiplied by the number of options awarded, with the whole scheme limited to 10% of the share capital in issue.

Vesting & Exercise

The share options vest on the third anniversary of the grant date, subject to a set of conditions as follows:

LTIP 2014:

- The Total Shareholders Return (TSR) must exceed 15%, where the TSR is a measure of the change in share price and dividends paid in the vesting period.
- The underlying UK EBITDA in the Financial Year ended March 2017 is at least 130% greater than the underlying UK EBITDA in the Financial Year ended March 2014.

LTIP 2015, 2016, 2017A:

- 50% of the awards are subject to a TSR performance condition, where the corporate group's TSR over the vesting period is compared with a comparator group. The awards vest on a sliding scale where the full 50% is awarded if the corporate group falls in the upper quartile, 12.5% vests if the corporate group falls exactly at the median, and 0% below that.
- 50% of the awards are subject to an EPS performance target. The awards vest on a sliding scale based upon the Earnings per share as follows:

| Award | EPS as at | 50% paid at | 12.5% paid at |
|------------|-----------|-------------|---------------|
| LTIP 2015 | March-18 | 19.0p | 15.0p |
| LTIP 2016 | March-19 | 22.5p | 17.5p |
| LTIP 2017A | March-20 | 24.0p | 19.0p |

Below the 12.5% boundary, no options vest.

LTIP 2017/B1, 2017/B2, 2018/B1:

- The corporate group's EBITDA must be positive in each year of the LTIP.
- The awards also have an employee performance condition attached.

Vested awards can be exercised up to the tenth anniversary of grant.

Notes to the financial statements

Tranches

To the end of March 2018 there have been seven awards of the LTIP, with the details as follows.

Note that the LTIP 2015, LTIP 2016 and LTIP 2017A have been split into the element subject to the TSR (50%) and the element subject to the EPS (50%) since these were valued separately.

| | 2014 | 2015-TSR | 2015-EPS | 2016-TSR | 2016-EPS |
|--|------------|------------|------------|-------------|-------------|
| Date of grant | 1 Aug 2014 | 5 Aug 2015 | 5 Aug 2015 | 18 Aug 2016 | 18 Aug 2016 |
| Nil price options granted | 200,000 | 40,616 | 40,616 | 122,385.5 | 122,385.5 |
| Fair value of each option at date of grant | 134p | 210p | 341p | 164p | 254p |
| Options outstanding at 26 March 2016 | 112,963 | 40,616 | 40,616 | - | - |
| Granted | - | - | - | 122,385.5 | 122,385.5 |
| Forfeited | (38,889) | - | - | - | - |
| Exercised | - | - | - | - | - |
| Options outstanding at 25 March 2017 | 74,074 | 40,616 | 40,616 | 122,385.5 | 122,385.5 |
| Granted | - | - | - | - | - |
| Forfeited | - | - | - | - | - |
| Exercised | (74,074) | - | - | - | - |
| Options outstanding at 31 March 2018 | - | 40,616 | 40,616 | 122,385.5 | 122,385.5 |
| Core Valuation Assumptions | | | | | |
| Risk Free Rate | 1.39% | 0.92% | 0.92% | 0.09% | 0.09% |
| Expected Life (Years) | 3 | 5 | 5 | 5 | 5 |
| Volatility | 25% | 24% | 24% | 26% | 26% |
| Dividend Yield | 0% | 0.95% | 0.95% | 1.73% | 1.73% |
| | 2017A-TSR | 2017A-EPS | 2017/B1 | 2017/B2 | 2018/B1 |
| Date of grant | 7 Aug 2017 | 7 Aug 2017 | 7 Aug 2017 | 14 Aug 2017 | 23 Jan 2018 |
| Nil price options granted | 40,610 | 40,610 | 287,963 | 101,654 | 19,264 |
| Fair value of each option at date of grant | 272p | 351p | 361p | 360p | 400p |
| Options outstanding at 25 March 2017 | - | - | - | - | - |
| Granted | 40,610 | 40,610 | 287,963 | 101,654 | 19,264 |
| Forfeited | - | - | (16,072) | - | - |
| Exercised | - | - | - | - | - |
| Options outstanding at 31 March 2018 | 40,610 | 40,610 | 271,891 | 101,654 | 19,264 |
| Core Valuation Assumptions | | | | | |
| Risk Free Rate | 0.52% | 0.52% | 0.25% | 0.25% | 0.25% |
| Expected Life (Years) | 5 | 5 | 3 | 3 | 3 |
| Volatility | 32% | 32% | 32% | 32% | 32% |
| Dividend Yield | 1.4% | 1.4% | 1.4% | 1.4% | 1.4% |

No options have lapsed in either period.

A total of 561,222 options have been exercised in the year, a further 11,049 options have vested and are eligible to be exercised. (2017: both nil). The options have been satisfied by the issue of new share capital of B&M European Value Retail S.A.

In the year, £615k has been charged to the company's profit & loss in respect to the share option schemes (2017: £254k). At the end of the year the outstanding share options related to B&M employees and directors were valued at £788k (2017: £675k).

Notes to the financial statements

8 Taxation

The relationship between the expected tax expense based on the standard rate of corporation tax in the UK of 19% (2017: 20%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

| | Period ended 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|--|--|--|
| Current tax expense | 42,703 | 37,758 |
| Deferred tax credit | (1,140) | (420) |
| Total tax expense recorded in profit or loss | 41,563 | 37,338 |
| Total tax: | | |
| Profit for the period before tax | 236,006 | 198,006 |
| Expected tax expense at standard rate of corporation tax | 44,841 | 39,601 |
| Effect of: | | |
| Expenses not deductible for tax purposes | 1,292 | 1,651 |
| Income not taxable | (115) | (253) |
| Adjustment in respect of prior periods | (477) | 466 |
| Temporary differences | (147) | 79 |
| Effect of change of rate | 68 | (79) |
| Group relief received for nil consideration | (3,899) | (4,127) |
| Actual total tax charge | 41,563 | 37,338 |

The tax charge for the period has been reduced by £3,899k (2017: £4,127k) because of losses surrendered by one Group company to another. No payment for this surrender is to be made. See note 21 for more details.

Deferred taxation

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|--|---------------------------|---------------------------|
| Statement of Financial Position | | |
| Accelerated tax depreciation | (721) | (818) |
| Fair valuing of assets and liabilities (asset) | 3,178 | 214 |
| Fair valuing of assets and liabilities (liability) | - | (82) |
| Relating to share options | 206 | 98 |
| Movement in provision | - | 15 |
| Held over gains on fixed assets | (202) | (207) |
| Other temporary differences (asset) | 346 | 32 |
| Other temporary differences (liability) | - | - |
| Net deferred tax liability | 2,807 | (748) |
| Deferred tax asset | 3,730 | 359 |
| Deferred tax liability | (923) | (1,107) |

Notes to the financial statements

| | 53 weeks to 31 March 2018 £'000 | 52 weeks to 25 March 2017 £'000 |
|--|--|--|
| Statement of Comprehensive Income | | |
| Accelerated tax depreciation | 97 | (265) |
| Fair valuing of assets and liabilities | 3,046 | 1,012 |
| Relating to share options | 108 | 98 |
| Movement in provision | (15) | 2 |
| Held over gains on fixed assets | 5 | (81) |
| Other temporary differences | 314 | 30 |
| Net deferred tax credit | 3,555 | 796 |
| Total deferred tax in profit or loss | 1,140 | 420 |
| Total deferred tax in other comprehensive income | 2,415 | 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.

9 Intangible assets

| | Software £'000 | Brands £'000 | Total £'000 |
|--|-------------------|-----------------|----------------|
| Cost | | | |
| 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 |
| Additions | 1,128 | 1,750 | 2,878 |
| Disposals | (948) | - | (948) |
| At 31 March 2018 | 5,218 | 2,950 | 8,168 |
| Accumulated amortisation/impairment | | | |
| At 26 March 2016 | 1,543 | - | 1,543 |
| Charge for the period | 432 | - | 432 |
| At 25 March 2017 | 1,975 | - | 1,975 |
| Charge for the period | 1,118 | 13 | 1,131 |
| Disposals | (948) | - | (948) |
| At 31 March 2018 | 2,145 | 13 | 2,158 |
| Net book value at 31 March 2018 | 3,073 | 2,937 | 6,010 |
| Net book value at 25 March 2017 | 3,063 | 1,200 | 4,263 |

The company owns brand assets which management consider to have indefinite life. As such these assets have been tested for impairment at the period end, with no impairment being required. The asset and impairment test is considered immaterial for further disclosure.

Notes to the financial statements

10 Property, plant and equipment

| | Land and buildings £'000 | Motor vehicles £'000 | Plant, fixtures and equipment £'000 | Total £'000 |
|--|--------------------------------|----------------------------|--|----------------|
| Cost | | | | |
| At 26 March 2016 | 23,098 | 4,681 | 160,524 | 188,303 |
| Additions | 6,820 | 646 | 34,332 | 41,798 |
| Disposals | (839) | (785) | - | (1,624) |
| At 25 March 2017 | 29,079 | 4,542 | 194,856 | 228,477 |
| Additions | 2,891 | 2,724 | 37,809 | 43,424 |
| Disposals | (1,254) | (2,434) | (11,873) | (15,561) |
| At 31 March 2018 | 30,716 | 4,832 | 220,792 | 256,340 |
| Accumulated depreciation | | | | |
| At 26 March 2016 | 12,662 | 3,033 | 56,561 | 72,256 |
| Charge for the period | 2,599 | 623 | 18,623 | 21,845 |
| Disposals | (19) | (520) | - | (539) |
| At 25 March 2017 | 15,242 | 3,136 | 75,184 | 93,562 |
| Charge for the period | 2,640 | 780 | 21,935 | 25,355 |
| Disposals | (1,254) | (2,265) | (11,873) | (15,392) |
| At 31 March 2018 | 16,628 | 1,651 | 85,246 | 103,525 |
| Net book value at 31 March 2018 | 14,088 | 3,181 | 135,546 | 152,815 |
| Net book value at 25 March 2017 | 13,837 | 1,406 | 119,672 | 134,915 |

There were no assets held under finance leases at either period 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 dates, 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.

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|---------------------------|---------------------------|
| The net book value of land and buildings comprises: | | |
| Freehold land and buildings | 5,171 | 5,035 |
| Short leasehold improvements | 8,917 | 8,802 |
| | 14,088 | 13,837 |

Notes to the financial statements

11 Inventories

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|------------------|---------------------------|---------------------------|
| Goods for resale | 494,007 | 411,196 |

In the period to 31 March 2018 £1,756.8m (2017: £1,491.6m) was recognised as an expense for inventories carried at net realisable value. Included in this amount was a £1.3m charge (2017: £1.6m) related to net inventory write down.

12 Trade and other receivables

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|--|---------------------------|---------------------------|
| Non-current | | |
| Lease Premiums | 2,150 | 2,412 |
| | <u>2,150</u> | <u>2,412</u> |
| Current | | |
| Trade receivables | 2,615 | 2,646 |
| Payments on account | 1,134 | 3,615 |
| Provision for impairment | (7) | (4) |
| Net trade receivables to non-related parties | <u>3,742</u> | <u>6,257</u> |
| Prepayments | 22,020 | 23,012 |
| Related party trade receivables | 2,392 | 706 |
| Non-interest bearing intergroup funding | 186,132 | 111,721 |
| Interest bearing intergroup funding | 54,732 | - |
| Lease Premiums | 324 | 567 |
| Other receivables | 25 | 24 |
| | <u>269,367</u> | <u>142,287</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 management's perception of the recoverability of the receivable.

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|-------------------------------------|---------------------------|---------------------------|
| Balance brought forward | (4) | (24) |
| Impairment during the year | (6) | (3) |
| Utilised/released during the period | 3 | 23 |
| Balance at the period end | <u>(7)</u> | <u>(4)</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 trade receivables, including those which are past due but not impaired:

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---------------------------------------|---------------------------|---------------------------|
| Neither past due nor impaired | 1,949 | 2,525 |
| Past due less than one month | 365 | - |
| Past due between one and three months | 208 | 93 |
| Past due for longer than three months | 93 | 28 |
| Total trade and other receivables | 2,615 | 2,646 |

13 Cash and cash equivalents

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|--------------------------|---------------------------|---------------------------|
| Cash at bank and in hand | 78,916 | 155,849 |

14 Trade and other payables

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|---------------------------|---------------------------|
| Non-current | | |
| Reverse lease premium | 78,635 | 75,909 |
| | 78,635 | 75,909 |
| Current | | |
| Trade payables | 221,086 | 187,954 |
| Other tax and social security payments | 6,300 | 1,823 |
| Accruals and deferred income | 18,982 | 32,339 |
| Related party trade payables | 14,095 | 6,472 |
| Non-interest bearing intergroup funding | 456 | 620 |
| Reverse lease premium | 14,234 | 10,758 |
| Other payables | 2,478 | 4,509 |
| | 277,631 | 244,475 |

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 21.

Notes to the financial statements

15 Other financial assets and liabilities

Other financial assets

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|---------------------------|---------------------------|
| Financial assets at fair value through profit and loss: | | |
| Fuel swap contracts | - | 232 |
| Financial assets at fair value through other comprehensive income: | | |
| Foreign exchange forward contracts | - | 117 |
| Total current other financial assets | - | 349 |

Other financial liabilities

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|--|---------------------------|---------------------------|
| Financial liabilities at fair value through profit and loss: | | |
| Foreign exchange forward contracts | 923 | 287 |
| Financial liabilities at fair value through other comprehensive income: | | |
| Foreign exchange forward contracts | 15,743 | 1,783 |
| Total current other financial liabilities | 16,666 | 2,070 |

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:

| | 31 March 2018 £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 |
|----------------------------|---------------------------|------------------|------------------|------------------|
| Foreign exchange contracts | (16,666) | - | (16,666) | - |
| | 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 | - |

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 | Other £'000 | Total £'000 |
|------------------------------|--------------------------------|----------------|----------------|
| 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 |
| Provided in the period | 1,075 | 2,264 | 3,339 |
| Utilised in the period | (810) | (1,807) | (2,617) |
| Released in the period | (273) | (31) | (304) |
| At 31 March 2018 | 1,565 | 4,461 | 6,026 |
| Current liabilities 2018 | 1,186 | 4,461 | 5,647 |
| Non-current liabilities 2018 | 379 | - | 379 |
| Current liabilities 2017 | 834 | 4,035 | 4,869 |
| Non-current liabilities 2017 | 739 | - | 739 |

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 £8.4k per claim (£8.3k in 2017). 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

17 Share capital

| | 31 March 2018 £'000 | 25 March 2017 £'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.

18 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 (2017: over 95%). 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.

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|---------------------------|---------------------------|
| Not later than one year | 131,101 | 122,167 |
| Later than one year and not later than five years | 482,740 | 451,435 |
| Later than 5 years | 493,850 | 481,254 |
| | <u>1,107,691</u> | <u>1,054,856</u> |

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

| | Period ended 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|-------------------|---|---|
| Lease payments | 133,813 | 119,578 |
| Sublease receipts | (286) | (262) |
| | <u>133,527</u> | <u>119,316</u> |

Finance leases

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

Capital commitments

There were £3.4m of contractual capital commitments not provided within the company financial statements as at 31 March 2018 (2017: £3.5m). The company is also underwriting the build of the Group's new southern distribution centre, with an expected commitment of £40.7m.

Notes to the financial statements

19 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.

20 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 has previously engaged in swap contracts 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 period end fuel price is as follows:

| | Change in fuel price | 31 March 2018 £'000 | 25 March 2017 £'000 |
|-----------------------------|----------------------|------------------------|------------------------|
| Effect on profit before tax | +5% | - | 159 |
| | -5% | - | (151) |

This has been calculated by taking the spot price of fuel at the period 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 (net of tax) is largely due to changes in the fair value of the FX forward contracts.

| | Change in USD rate | 31 March 2018 £'000 | 25 March 2017 £'000 |
|--------------------------------------|-----------------------|---------------------------|---------------------------|
| Effect on profit before tax | +2.5% | (553) | (2,117) |
| | -2.5% | 581 | 2,225 |
| Effect on other comprehensive income | +2.5% | (10,150) | (9,403) |
| | -2.5% | 10,671 | 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-1 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 |
|------------------------------------|---------------------------|-----------------------------------|-----------------------------------|-------------------------------|----------------|
| 31 March 2018 | | | | | |
| Forward foreign exchange contracts | 16,666 | - | - | - | 16,666 |
| Intragroup funding | 456 | - | - | - | 456 |
| Trade payables | 235,320 | - | - | - | 235,320 |
| 25 March 2017 | | | | | |
| Forward foreign exchange contracts | 2,070 | - | - | - | 2,070 |
| Intragroup funding | 620 | - | - | - | 620 |
| Trade payables | 194,426 | - | - | - | 194,426 |

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.

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|--|---------------------------|---------------------------|
| Financial assets | | |
| Fair value through profit and loss | | |
| Fuel swap contracts | - | 232 |
| Fair value through other comprehensive income | | |
| Forward foreign exchange contracts | - | 117 |
| Loans and receivables | | |
| Cash and cash equivalents | 78,916 | 155,849 |
| Trade receivables | 6,134 | 6,933 |
| Intragroup funding | 240,864 | 111,721 |
| Other receivables | 25 | 24 |
| | <hr/> | <hr/> |
| | 25 March 2017 £'000 | 26 March 2016 £'000 |
| Financial liabilities | | |
| Fair value through profit and loss | | |
| Forward foreign exchange contracts | 923 | 287 |
| Fair value through other comprehensive income | | |
| Forward foreign exchange contracts | 15,743 | 1,783 |
| Other financial liabilities | | |
| Trade payables | 235,320 | 194,426 |
| Intragroup funding | 456 | 620 |
| Other payables | 2,478 | 4,509 |
| | <hr/> | <hr/> |

Notes to the financial statements

21 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, are associates of the Group.
- 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.
- Heron Foods Ltd, and J.A. Woll-Handels GmbH, who are members of the B&M corporate group, in terms of the sale and purchase of retail goods.
- B&M European Value Retail Holdco 4 Ltd, EV Retail Ltd, Opus Homewares and Bedford DC Investment Ltd, who are members of the B&M corporate group, in terms of financing running costs, external dividends, acquisitions and significant capital projects.

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

| | Period ended 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|--|---|---|
| Sales to related parties: | | |
| Heron Foods Ltd | 5,103 | - |
| Home Focus Group Limited | 2,408 | 2,503 |
| J.A. Woll-Handels GmbH | 1,136 | - |
| | <u>8,647</u> | <u>2,503</u> |
| Purchases from related parties: | | |
| Heron Foods Ltd | 2,137 | - |
| Multi-lines International Company Ltd | 141,963 | 118,777 |
| Rani Investments | 194 | 192 |
| Ropley Properties Ltd | 2,976 | 2,811 |
| TJL UK Ltd | 675 | 42 |
| Triple Jersey Ltd | 12,666 | 10,250 |
| | <u>160,611</u> | <u>132,072</u> |

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

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|--|---------------------------|---------------------------|
| Trade receivables from related parties: | | |
| Heron Foods Ltd | 1,510 | - |
| Home Focus Group Ltd | 316 | 706 |
| J.A. Woll-Handels GmbH | 566 | - |
| | <u>2,392</u> | <u>706</u> |

Notes to the financial statements

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|---------------------------|---------------------------|
| Trade payables with related parties: | | |
| Heron Foods Ltd | 1,750 | - |
| Multi-Lines International Company Ltd | 9,680 | 3,385 |
| Rani Investments | 40 | - |
| Ropley Properties Ltd | 643 | 850 |
| TJL UK Ltd | 3 | 85 |
| Triple Jersey Ltd | 1,979 | 2,152 |
| | <u>14,095</u> | <u>6,472</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.

The following table gives the intergroup funding position at the period end for members of the Group. Only balances that cross international tax jurisdictions are considered to be interest bearing, and where this is the case the rate is set on an arm's length basis based upon the marginal external rate available to the business.

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|---------------------------|---------------------------|
| Non-interest bearing intercompany loan receivables | | |
| B&M European Value Retail Holdco 4 Ltd | 7,296 | 45,996 |
| EV Retail Ltd | 178,836 | 65,725 |
| | <u>186,132</u> | <u>111,721</u> |
| Interest bearing intercompany loan receivables | | |
| Bedford DC Investment Ltd | 54,732 | - |
| | <u>54,732</u> | <u>-</u> |
| Non-interest bearing intercompany loan payables | | |
| Opus Homewares | (456) | (620) |
| | <u>(456)</u> | <u>(620)</u> |

The interest expense charged on the Bedford DC Investment Ltd loan was £nil for the year (2017: £nil). This is because the majority of the balance arose in the final month of the year and the interest rate has yet to be formally set. A catch up charge is expected to be made in the following financial year.

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

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|---------------------------|---------------------------|
| As at | | |
| Not later than one year | 16,308 | 14,544 |
| Later than one year and not later than five years | 65,565 | 57,704 |
| Later than five years | 85,934 | 76,341 |
| | <u>167,807</u> | <u>148,589</u> |

Notes to the financial statements

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 31 March 2018 £'000 | Period ended 25 March 2017 £'000 |
|--|---|---|
| Receipt / (Provision) of Group Relief | | |
| All other UK entities | - | (1) |
| EV Retail Limited | 135 | - |
| B&M European Value Retail 4 Limited | (3,899) | (4,126) |
| B&M Retail Limited | 3,764 | 4,127 |

22 Reconciliation of profit before tax to cash generated from operations

| | Period to 31 March 2018 £'000 | Period to 25 March 2017 £'000 |
|--|--|--|
| Profit before tax | 236,006 | 198,006 |
| Adjustments for: | | |
| Net interest expense | (108) | (107) |
| Depreciation | 25,355 | 21,845 |
| Amortisation of intangible assets | 1,131 | 432 |
| (Profit)/loss on disposal of property, plant and equipment | 25 | (479) |
| Change in inventories | (82,811) | (94,709) |
| Change in trade and other receivables | 2,325 | (4,672) |
| Change in trade and other payables | 36,046 | 79,691 |
| Change in provisions | 418 | (1,042) |
| Loss on share options | 615 | 675 |
| Loss/(profit) on fair value of financial derivatives | (714) | 3,428 |
| Cash generated from operations | 218,288 | 203,068 |

23 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.

Notes to the financial statements

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

| | 31 March 2018 £'000 | 25 March 2017 £'000 |
|---|---------------------------|---------------------------|
| As at | | |
| Interest bearing loans and borrowings | 619,968 | 557,463 |
| Less: Cash and short term deposits - overdrafts | (84,704) | (155,551) |
| Net debt | 535,264 | 401,912 |

24 Subsequent events

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

25 Dividends

In March 2018, the company declared dividends totalling £55.0m, in November 2017 the company declared dividends totalling £23.0m.

In the prior year; In March 2017 the company declared dividends totalling £39.0m, in November 2016 the company declared dividends totalling £19.75m, in June 2016 the company declared dividends totalling £41.0m.

All dividends were made to EV Retail Ltd who fully owns the company.

26 Contingent liabilities and guarantees

As at 31 March 2018 and 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 £345.0m for the loans (2017: £300m), 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.

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