Financial statements B&M Retail Limited

For the period from 1 April 2018 to 30 March 2019

Company Number: 01357507

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

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Business review

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

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

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

- Deliver great value to our customers. We sell a wide but disciplined range at everyday low prices which are consistently below those offered by specialists and general retailers, but we only focus on 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 8.8% (excluding last year's 53rd week, see the financial performance section below) and our like-for-like[1] sales growth of 0.7% and we served on average over 4.4m customers per week.

- 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 30 March 2019 we have opened 54 (net 44) stores and at the end of this period the company now trades from 620 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. The directors plan to continue this new store roll out and additionally we continue to take advantage of relocation opportunities that allow us to open modern, large stores where our customers can access our full product offering.

- We continue to invest in our people and infrastructure and we have created over 800 new jobs in the FY19, principally as a result of our new store opening programme but also investments in our head office teams. We have also invested £15.6m as part of a rolling programme of maintenance capital expenditure across the company.

- In order to allow us to continue our new store opening programme we recognise that we need to invest in our warehouse capacity and our new one million square foot warehouse in Bedford in the South of the UK is on course to be opened in January 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 last year was 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.

	52 weeks to 30-Mar-19 £'000	52 weeks to 24-Mar-18 £'000	1 week to 31-Mar-18 £'000	53 weeks to 31-Mar-18 £'000
Revenue	**2,801,499**	2,575,617	53,528	2,629,145
Gross profit	**954,061**	870,716	18,162	888,878
Operating profit	**271,526**	232,404	3,494	235,898
Profit before tax	**273,406**	232,510	3,496	236,006
Add back net finance income	**(1,880)**	(106)	(2)	(108)
Add back depreciation and amortisation	**30,580**	25,759	727	26,486
EBITDA	**302,106**	258,163	4,221	262,384

Revenues for the period to 30 March 2019 were £2,801.5m and in the 52 week period to 24 March 2018 were £2,575.6m, an increase of 8.8%. This was driven by the growth of the estate, both through the annualisation of new stores opened in the prior year and the net 44 stores opened in the current year and the 0.7% like for like growth.

The gross profit for the period to 30 March 2019 was £954.1m at a margin of 34.1%, this was a 9.6% increase compared to the 52 week 2018 gross profit figure of £870.7m. The gross profit margin increased by 25bps which reflected an adverse mix impact as a result of the strong performance on lower margin grocery and FMCG products offset by an improved margin on general merchandise as a result of the strong sell through on the seasonal product categories, including gardening and Christmas decorations.

The earnings before interest, tax, depreciation and amortisation (EBITDA) for 2019 was £302.1m and for the 52 weeks to 24 March 2018 was £258.2m, an increase of 17.0%.

Tangible and intangible capital expenditure in the period to 30 March 2018 was £63.4m (2018: £46.3m). Significant investments were made supporting the new store roll out programme with the opening of 54 stores and £10.5m on the acquisition of new store freeholds.

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, reducing our electricity usage and improving our fuel efficiencies to help minimise the impact of our business on the environment.

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In terms of waste recycling, 100% of our packaging waste was recycled through a combination of waste being sorted through our own facilities and by specialist third party contractors. Any residual waste is recycled into energy production. 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 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 2018/19 we donated around £430k to a range of charities including children's hospitals, air ambulances and a range of other health 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 CO_2 per £'m revenue) for our emissions which showed a 7.8% decrease over the year (33.4 against 36.2).

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

- 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 60 new tractor units in FY2019 and we have ordered a further 60 units for delivery in the summer of 2019. 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 FY2019; and
- We have introduced new manual handling equipment, including lithium Ion picking and loading trucks, at one of our main Distribution Centres, which are more energy efficient than the previous material handling equipment. We are planning to roll this new equipment out across another two of our Distribution Centres in FY2020

Supply chain and ethics

We have many 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 agreed 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.

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.

The vast majority of products which are imported into the UK by B&M are sourced from China. These are mainly machine manufactured goods, as opposed to labour intensive handmade products. Where necessary overseas suppliers are required by B&M or its sourcing agent to provide social compliance reports, as a check on compliance.

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with local laws and regulations including labour practices. B&M's main Hong Kong based sourcing agent and, where practicable, members of our UK buying team, visit suppliers as part of our verification process.

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 112 in the year at an average of 0.2 per store (2018: 207, 0.4), which should be seen in the context of 229 million shopper visits per annum (2018: 217m).

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 800 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 202 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 also provide information to our stores through an on-line weekly update, the "B&M Digest", with updates on operational matters helping them plan for the week ahead and keeping them up to date with latest developments, promotions and events at stores.

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

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The gender split of our workforce is as follows;

	Directors	Senior Management	All Staff
Male	4	25	11,655
Female	-	24	15,539

This is the second 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 7.9% 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.

At a regional and national level we are a proud sponsor of Mission Christmas, an initiative run by Cash4Kids, a children's charity providing Christmas presents to underprivileged children at Christmas time. We are a significant headline sponsor and nationally our B&M stores in participating towns acted as collection points for the toys and gifts which were donated for the appeal. The Mission Christmas appeal distributed overall more than £15m of gifts and vouchers in Christmas 2018, and we are proud to have played a small but committed part in that for each of the last three years.

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 250 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

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the current and anticipated economic conditions. Our low cost business model also allows us to maintain a price advantage which enables the business' sales to remain robust irrespective of the overall economic conditions. The level of this risk has remained the same during the year.

IT Systems, Cyber Security and Business Continuity – The business relies on key IT systems and any major incident would have a detrimental impact on the company's ability to operate efficiently. We mitigate this by maintaining industry standard third party maintenance contracts and ensuring that any technology investments are fit for purpose. We also have a disaster recovery strategy. IT Security is monitored at Board level and we perform penetration testing and ensure that our security software is up to date. The level of this risk has 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 not changed during the year...

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 reduced 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.

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, our new one million square foot warehouse in Bedford is on track to open in January 2020 and the business maintains adequate business interruption insurance. This risk has remained the same during the year.

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.

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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 and our imported products largely arrive through the Port of Liverpool, as opposed to the Southern ports which could be more heavily impacted. We will continue to monitor developments and understand the interpretation's with respect to potential risks and act accordingly. We consider that the risk has increased due to the approaching EU departure and the potential short term impacts on the business and whether the UK leaves the EU with a transitional deal or not.

ON BEHALF OF THE BOARD

P McDonald
Director
11 July 2019

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

Statement of directors' responsibilities in respect of the Directors Report and Financial Statements

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 1 April 2018 to 30 March 2019. 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 February 2019, the company declared dividends totalling £6.5m. In March 2019 the company declared dividends totalling £5.0m and dividends totalling £76.0m.

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

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

PA McDonald.

P McDonald
Director
11 July 2019

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

KPMG

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 30 March 2019 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 30 March 2019 and of its profit for the year 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the carrying value of the assets and liabilities, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report 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.

KPMG

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
12 July 2019

Statement of Comprehensive Income

	Note	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Revenue	2	2,801,499	2,629,145
Cost of sales		(1,847,438)	(1,740,267)
Gross profit		954,061	888,878
Administrative expenses		(682,535)	(652,980)
Operating profit	3	271,526	235,898
Finance costs	4	(34)	(61)
Finance income	4	1,914	169
Profit before tax		273,406	236,006
Income tax expense	8	(49,370)	(41,563)
Profit for the period		224,036	194,443
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Fair value movement as recorded in the hedging reserve		19,996	(15,659)
Tax effect of other comprehensive income		(3,480)	2,478
Total comprehensive income for the period		240,552	181,262

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

	Note	30 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Intangible assets	9	6,196	6,010
Property, plant and equipment	10	185,059	152,815
Other receivables	12	1,785	2,150
Deferred tax asset	8	360	3,730
		193,400	164,705
Current assets			
Cash and cash equivalents	13	57,290	78,916
Inventories	11	490,292	494,007
Trade and other receivables	12	386,368	269,367
Other financial assets	15	6,294	-
		940,244	842,290
Total assets		1,133,644	1,006,995
Equity			
Share capital	17	(1,905)	(1,905)
Retained earnings		(756,695)	(619,178)
Hedging reserve		(1,985)	14,531
		(760,585)	(606,552)
Non-current liabilities			
Provisions	16	(374)	(379)
Other payables	14	(82,299)	(78,635)
Deferred tax liabilities	8	(1,973)	(923)
		(84,646)	(79,937)
Current liabilities			
Trade and other payables	14	(256,546)	(277,631)
Other financial liabilities	15	(1,647)	(16,666)
Income tax payable		(24,592)	(20,562)
Provisions	16	(5,628)	(5,647)
		(288,413)	(320,506)
Total liabilities		(373,059)	(400,443)
Total equity and liabilities		(1,133,644)	(1,006,995)

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 11 July 2019 and signed on their behalf by:

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 25 March 2017	1,905	502,120	(1,350)	502,675
Total comprehensive income for the period 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
Total comprehensive income for the period to 30 March 2019	**-**	**224,036**	**16,516**	**240,552**
Dividends paid to owners of the company	**-**	**(87,472)**	**-**	**(87,472)**
Effect of share options	**-**	**953**	**-**	**953**
Balance at 30 March 2019	**1,905**	**756,695**	**1,985**	**760,585**

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

Statement of Cash Flows

Period ended	Note	30 March 2019 £'000	31 March 2018 £'000
Cash flows from operating activities			
Cash generated from operations	22	264,472	218,288
Movement in intercompany balances		(180,724)	(207,307)
Income tax paid		(44,400)	(41,864)
Net cash flows from operating activities		39,348	(30,883)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(61,959)	(43,424)
Purchase of intangible assets	9	(1,435)	(2,878)
Proceeds from sale of property, plant and equipment		540	144
Interest received		1,914	169
Net cash flows from investing activities		(60,940)	(45,989)
Cash flows from financing activities			
Interest paid		(34)	(61)
Net cash flows from financing activities		(34)	(61)
Net increase in cash and cash equivalents		(21,626)	(76,933)
Cash and cash equivalents at the beginning of the period		78,916	155,849
Cash and cash equivalents at the end of the period		57,290	78,916
Cash and cash equivalents comprise:			
Cash at bank and in hand	13	57,290	78,916
		57,290	78,916

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 value retailer, the company is well placed to withstand volatility within the economic environment including the direct and indirect impacts emanating from the proposed British exit from the European Union. The company has net current assets of £651.8m and 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.

These Group facilities will expire in 2019 (€92m), 2021 (£300m) and 2022 (£250m). Whilst it is forecast that the Group will repay the facility that expires later this year, the Group has an unconditional ability to extend the loan for a further 12 months.

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

Under IFRS 15 Revenue is recognised when all the following criteria are met;

- the parties to the contract have approved the contract;
- the company can identify each parties rights regarding the goods to be transferred;
- the company can identify the payment terms;
- the contract has commercial substance;
- it is probable that the company will collect the consideration we are entitled to in respect to the goods to be transferred.

In the vast majority of cases the company's sales are made through stores and the control of goods is immediately transferred at the same time as the consideration received via our tills. Therefore revenue is recognised at this point.

Notes to the financial statements

The company does not actively sell vouchers to use in the future or operate discount schemes and, therefore, no deferred revenue is recognised.

The company operates a small wholesale function which recognises revenue when goods are delivered and the invoice is raised. The revenue is considered collectable as the company's wholesale customers are usually related parties or are subject to credit checks before trade takes place.

Revenue is the total amount receivable by the company for goods supplied, in the ordinary course of business, excluding VAT and trade discounts, and after deducting returns and relevant vouchers and offers.

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.

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.

Notes to the financial statements

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.

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 premiums and lease incentives (as reverse lease premiums) are required to be spread over the term of the lease (as an element of the rent charge) with the resulting balance on the statement of financial position recorder in receivables or payables as appropriate.

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.

Notes to the financial statements

Inventories

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

Stock purchased in foreign currency is booked in at the hedge rate applicable to that stock (if effectively hedged) or the underlying foreign currency rate on the date that the item is brought into stock.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to sell. Transport, warehouse and distribution costs are not included in the 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.

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, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

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 £360k (2018: £3,730k) 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.

Notes to the financial statements

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 prospectively at inception of the derivative, and at each reporting period end date prior to maturity.

Where a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, such as an item of inventory, the associated gains and losses are recognised in the initial cost of that asset.

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.

Financial assets

IFRS 9 has replaced IAS 39 during the year, and as such the company's policy has been restated as follows. The new policy has had no impact on the statements of comprehensive income or financial position for the year.

IFRS 9 eliminates the previous IAS 39 category for financial assets of loans and receivables. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, fair value through profit or loss or fair value though other comprehensive income.

A financial asset is measured at amortised cost if it meets both of the following conditions: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Under IFRS 9 trade receivables, without a significant financing component, are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any impairment loss.

IFRS 9 introduces an 'expected loss' model ('ECL') for recognising impairment of financial assets held at amortised cost. The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the company's historical experience and informed credit assessment and including forward-looking information. The company performs the calculation of expected credit losses separately for each customer group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. 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.

Notes to the financial statements

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

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

Financial liabilities

The implementation of IFRS 9 has not significantly impacted the company's financial liabilities policy.

Initial recognition and measurement
Financial liabilities within the scope of IFRS 9 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.

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.

Notes to the financial statements

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.

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.

Critical judgments and key sources of estimation uncertainty

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

Notes to the financial statements

Critical Judgment: Hedge accounting

The company hedge accounts for stock purchases made in US Dollars. There is significant management judgment involved in forecasting the level of dollar purchases to be made within the period that the forward hedge has been bought for.

Management take the view that no more than 80% of the operational hedging in place can be subject to hedge accounting, due to forecast uncertainties, and assesses every forward hedge taken out, on inception, if that figure should be reduced further by considering general purchasing trends, and discussion of specific purchasing decisions.

Standards and Interpretations applied and not yet applied by the company

Standards and Interpretations applied and not yet applied by the Group

IFRS 16 'Leases'

IFRS 16 'Leases' will be applicable for periods starting after 1 January 2019 and will therefore apply to B&M's next set of accounts, commencing 31 March 2019, and all subsequent future periods.

The vast majority of the company's store estate is managed via operating lease contracts and therefore this standard will have a significant effect on the presentation of the statement of comprehensive income, the statement of financial position and some effect on the statement of cashflows.

The company will operate a modified retrospective approach where upon adoption the initial asset will be set equal to the discounted lease liability as of 31 March 2019. By taking this approach the prior year figures will not be restated and IFRS 16 will be accounted for prospectively only.

Although the impact of IFRS 16 on the statement of comprehensive income is large, IFRS 16 is essentially presentation and does not impact on the underlying cash generation of the business nor how we commercially operate and manage the business and the store portfolio.

As part of the company's extensive preparations towards implementing IFRS 16, a model has been developed and an indicative figure for the brought forward liability as at 31 March 2019 is c.£900m. The asset will be less than this because the standard requires the net off of existing balance sheet balances relating to the lease, specifically this will mean the asset is reduced by the balance of our reverse lease premiums and increased by our net rent prepayment.

These figures are all subject to a full substantive audit and could also be affected significantly by application guidance currently being discussed with our auditors and separately by IFRIC, the interpretations committee for the standards setting body.

Over the full life of a lease the P&L charge recorded is equal under IAS 17 and IFRS 16, but during the life of a lease the expense will typically be accelerated, and front-loaded due the larger interest expense when the lease liability is at its largest. With a typically young lease estate, and further amplified by taking the modified retrospective approach, we expect that IFRS 16 will be profit dilutive for the foreseeable future, although we note that this does not reflect a change in the underlying cash generation of the business. Tax is expected to follow the Profit and loss treatment with no significant balance on adoption due to the modified retrospective method being adopted.

Also see note 18 for details on our commitments under the existing lease estate.

Notes to the financial statements

Adoption of New and Revised Standards

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

- Annual Improvements to IFRSs 2014-2016 Cycle
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Amendments to IAS 40 Investment Property
- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and simplifies the classification of financial assets for measurement purposes.

The company has applied IFRS 9 from 1 April 2018. There is no impact on the income statement or financial position from the adoption of IFRS 9.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations.

The company has applied IFRS 15 from 1 April 2018 using the cumulative effective method (without practical expedients), with the effect of initially applying this standard being recognised at the date of initial application (1 April 2018). Comparative information has, therefore, not been restated.

Under IAS 18 revenue was recognised either over time where there was continuing service provided to the customer or at the point in time when the risks and rewards of ownership transferred to the customer. Under IFRS 15 revenue is recognised when performance obligations are satisfied. For the Group the transfer of control under IFRS 15 and satisfaction of performance obligations remains consistent with the transfer of risks and rewards to the customer under IAS18. Consequently, there were no profit or loss impacting adjustments required on application of IFRS 15.

Revenue is measured at the fair value of the consideration received or receivable and is recognised at the initial point of sale goods to the customers, when the risks and rewards of the ownership of the goods has passed to the buyer. Revenue is stated net of discounts, rebates, refunds and value-added tax.

Revenue principally represents the amounts receivable from customers for goods supplied. The vast majority of goods are supplied immediately at the point of sale in a retail store environment, and, therefore, performance obligations are considered to have been met at the point of sale.

Other
The company continues to monitor the potential impact of other new standards and interpretations which may be endorsed and require adoption by the company in future reporting periods. The company does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

Notes to the financial statements

2 Segmental information

For management purposes, the company has two reportable operating segments, being the retail and wholesale segments. 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.

52 week period ended 30 March 2019	Retail £'000	Wholesale £'000	Corporate £'000	Total £'000
Revenue	**2,777,916**	**23,583**	**-**	**2,801,499**
EBITDA	**453,185**	**1,207**	**(152,286)**	**302,106**
Depreciation and amortisation	**-**	**-**	**(30,580)**	**(30,580)**
Net finance income	**-**	**-**	**1,880**	**1,880**
Income tax expense	**-**	**-**	**(49,370)**	**(49,370)**
Segment profit	**453,185**	**1,207**	**(230,356)**	**224,036**
Total assets	**507,422**	**14,358**	**611,864**	**1,133,644**
Total liabilities	**(109,137)**	**-**	**(263,922)**	**(373,059)**
Capital expenditure (including intangible assets)	**-**	**-**	**(63,394)**	**(63,394)**

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)

Notes to the financial statements

3 Operating profit

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

	Period ended 30 March 2019 £'000	Period ended 31 March 2018 £'000
Auditor's remuneration of the company and other Group entity accounts borne by the company	**235**	166
Payments to auditors in respect of non-audit services		
Other assurance services	**-**	56
Inventories:		
Cost of inventories recognised as an expense	**1,847,438**	1,740,267
(Profit)/loss on sale of property, plant and equipment	**(156)**	25
Depreciation of property, plant and equipment:		
Owned assets	**29,331**	25,355
Amortisation (included within administrative expenses)	**1,249**	1,131
Operating lease rentals	**140,434**	133,527
New store pre-opening costs	**4,813**	3,605
(Gain)/loss on foreign exchange	**(8,463)**	1,637

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 30 March 2019 £'000	Period ended 31 March 2018 £'000
Interest on debt and borrowings	34	61
Total finance costs	34	61

	Period ended 30 March 2019 £'000	Period ended 31 March 2018 £'000
Interest income on loans and bank accounts	**170**	169
Interest on intercompany loan	**1,744**	-
Total finance income	**1,914**	169

Notes to the financial statements

5 Employee remuneration

The expense recognised for employee benefits is analysed below:

	Period ended 30 March 2019 £'000	Period ended 31 March 2018 £'000
Wages and salaries	297,294	281,716
Social security costs	14,292	13,552
Pensions - defined contributions plans	2,390	1,169
	313,976	296,437

There are £31k of outstanding defined contribution pension liabilities held by the company at the year end (2018: £163k).

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

	Period ended 30 March 2019	Period ended 31 March 2018
Sales staff	26,941	26,066
Administration	443	430
	27,384	26,496

6 Key management remuneration

Key management personnel and Directors' remuneration includes the following:

	Period ended 30 March 2019 £'000	Period ended 31 March 2018 £'000
Directors' remuneration		
Short term employee benefits	2,923	4,649
Benefits accrued under the share option scheme	328	280
	3,251	4,929
Key management expense (includes directors)		
Short term employee benefits	3,294	5,283
Benefits accrued under the share option scheme	328	280
	3,622	5,563
Amounts in respect of the highest paid director emoluments:		
Short term employee benefits	1,221	2,050
Benefits accrued under the share option scheme	88	-
	1,309	2,050

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

Notes to the financial statements

7 Share options

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 2019 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 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**
Granted	**-**	**-**	**-**	**-**
Forfeited	**-**	**-**	**-**	**-**
Lapsed	**-**	**-**	**(10,489)**	**-**
Exercised	**-**	**-**	**-**	**-**
Options outstanding at 30 March 2019	**11,049**	**-**	**-**	**21,676**

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.

Dividend Credits

All participants in any new LTIP awards granted after 1 April 2018 are entitled to a dividend credit where the notional dividend they would have received on the maximum number of shares available under their award is converted into new share options and added to the award based upon the share price on the date of the dividend. These additional awards have been reflected in the tables below.

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, 2018A:

- 50% of the awards are subject to a TSR performance condition, where the 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 Group falls in the upper quartile, 12.5% vests if the 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
LTIP 2018A	March-21	28.0p	23.0p

Below the 12.5% boundary, no options vest.

LTIP 2017/B1, 2017/B2, 2018/B1, 2018/B2.

- Group 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 2019 there have been nine awards of the LTIP, with the details as follows.

Note that the LTIP 2015, LTIP 2016, LTIP 2017A and LTIP 2018A 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 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**
Granted	-	-	-	-	-
Forfeited	-	-	**(9,139)**	-	-
Exercised	-	-	-	-	-
Options outstanding at 30 March 2019	-	**40,616***	**31,477***	**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%

* These share options have vested but are in a holding period.

	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**
Granted	-	-	-	-	-
Forfeited	-	-	**(8,036)**	**(8,025)**	**(2,408)**
Exercised	-	-	-	-	-
Options outstanding at 30 March 2019	**40,610**	**40,610**	**263,855**	**93,629**	**16,856**
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%

Notes to the financial statements

	2018A–TSR	2018A-EPS	2018/B2
Date of grant	22 Aug 2018	22 Aug 2018	20 Aug 2018
Nil price options granted	224,914.5	224,914.5	236,697
Fair value of each option at date of grant	240p	409p	406p
Options outstanding at 31 March 2018	**-**	**-**	**-**
Granted	**224,914.5**	**224,914.5**	**236,697**
Granted via dividend credit	**1,758**	**1,758**	**1,797**
Forfeited	**-**	**-**	**(11,190)**
Exercised	**-**	**-**	**-**
Options outstanding at 30 March 2019	**226,672.5**	**226,672.5**	**227,304**
Core Valuation Assumptions			
Risk Free Rate	0.97%	0.97%	0.25%
Expected Life (Years)	5	5	3
Volatility	29%	29%	30%
Dividend Yield	0%	0%	0%

No LTIP options have lapsed in either period. The summary year end position is as follows;

Period ended	**30 March 2019**	31 March 2018
Share options outstanding at the start of the year	**843,246**	952,537
Share options granted during the year (including via dividend credit)	**691,839**	490,101
Share options forfeited or lapsed during the year	**(49,287)**	(38,170)
Share options exercised in the year	**-**	(561,222)
Share options outstanding at the end of the year	**1,485,798**	843,246
Of which;		
Share options that are not vested	**1,402,656**	832,197
Share options that are vested, but are not eligible for exercise (in holding)	**72,093**	-
Share options that are vested and eligible for exercise	**11,049**	11,049

All exercised options are satisfied by the issue of new share capital.

In the year, £953k has been charged to the income statement in respect to the share option schemes (2018: £615k). At the end of the year the outstanding share options had a carrying value of £1,733k (2018: £788k).

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% (2018: 19%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

	Period ended 30 March 2019 £'000	Period ended 31 March 2018 £'000
Current tax expense	48,430	42,703
Deferred tax charge/(credit)	940	(1,140)
Total tax expense recorded in profit or loss	49,370	41,563
Total tax:		
Profit for the period before tax	273,406	236,006
Expected tax expense at standard rate of corporation tax	51,947	44,841
Effect of :		
Expenses not deductible for tax purposes	2,355	1,292
Income not taxable	(894)	(115)
Adjustment in respect of prior periods	(39)	(477)
Temporary differences	177	(147)
Effect of change of rate	(65)	68
Group relief received for nil consideration	(4,111)	(3,899)
Actual total tax charge	49,370	41,563

The tax charge for the period has been reduced by £4,111k (2018: £3,899k) 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

Statement of Financial Position	30 March 2019 £'000	30 March 2018 £'000
Accelerated tax depreciation	(744)	(721)
Fair valuing of assets and liabilities (asset)	-	3,178
Fair valuing of assets and liabilities (liability)	(883)	-
Relating to share options	360	206
Movement in provision	(144)	-
Held over gains on fixed assets	(202)	(202)
Other temporary differences (asset)	-	346
Net deferred tax liability	(1,613)	2,807
Analysed as		
Deferred tax asset	360	3,730
Deferred tax liability	(1,973)	(923)

Notes to the financial statements

Statement of Comprehensive Income	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Accelerated tax depreciation	(22)	97
Fair valuing of assets and liabilities	(4,061)	3,046
Relating to share options	153	108
Movement in provision	(490)	(15)
Held over gains on fixed assets	-	5
Other temporary differences	-	314
Net deferred tax (charge)/credit	(4,420)	3,555
Analysed as		
Total deferred tax in profit or loss	(940)	1,140
Total deferred tax in other comprehensive income	(3,480)	2,415

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 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
Additions	1,185	250	1,435
At 30 March 2019	6,403	3,200	9,603
Accumulated amortisation/impairment			
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
Charge for the period	1,229	20	1,249
At 30 March 2019	3,374	33	3,407
Net book value at 30 March 2019	**3,029**	**3,167**	**6,196**
Net book value at 31 March 2018	3,073	2,937	6,010

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 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
Additions	14,191	2,972	44,796	61,959
Disposals	(8)	(775)	(482)	(1,265)
At 30 March 2019	44,899	7,029	265,106	317,034
Accumulated depreciation				
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
Charge for the period	2,651	1,341	25,339	29,331
Disposals	(8)	(539)	(334)	(881)
At 30 March 2019	19,271	2,453	110,251	131,975
Net book value at 30 March 2019	**25,628**	**4,576**	**154,855**	**185,059**
Net book value at 31 March 2018	14,088	3,181	135,546	152,815

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 £0.1m which is not depreciated and has not been impaired. There are assets with a cost of £2.4m included within land and buildings which relates to assets under construction and these are not depreciated until the assets are brought into use (2018: £0.3m).

The net book value of land and buildings comprises:	**31 March 2019 £'000**	30 March 2018 £'000
Freehold land and buildings	**16,230**	5,171
Short leasehold improvements	**9,398**	8,917
	25,628	14,088

Notes to the financial statements

11 Inventories

	30 March 2019 £'000	30 March 2018 £'000
Goods for resale	**490,292**	494,007

In the period to 30 March 2019 £1,847m (2018: £1,740m) was recognised as an expense for inventories carried at net realisable value. Included in this amount was a £1.1m credit (2018: £1.3m charge) related to net inventory write down.

12 Trade and other receivables

	30 March 2019 £'000	31 March 2018 £'000
Non-current		
Lease premiums	**1,785**	2,150
	1,785	2,150
Current		
Trade receivables	**3,792**	2,615
Payments on account	**3,964**	1,134
Provision for impairment	**(55)**	(7)
Net trade receivables to non-related parties	**7,701**	3,742
Prepayments	**26,491**	22,020
Related party trade receivables	**15,069**	2,392
Non-interest bearing intergroup funding	**257,677**	186,132
Interest bearing intergroup funding	**76,066**	54,732
Lease premiums	**251**	324
Other receivables	**3,113**	25
	386,368	269,367

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.

	30 March 2019 £'000	31 March 2018 £'000
Balance brought forward	**(7)**	(4)
Impairment during the year	**(55)**	(6)
Utilised/released during the period	**7**	3
Balance at the period end	**(55)**	(7)

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

Notes to the financial statements

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

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

	30 March 2019 £'000	31 March 2018 £'000
Neither past due nor impaired	**1,483**	1,949
Past due less than one month	**2,023**	365
Past due between one and three months	**15**	208
Past due for longer than three months	**271**	93
Total trade and other receivables	**3,792**	2,615

13 Cash and cash equivalents

	30 March 2019 £'000	31 March 2018 £'000
Cash at bank and in hand	**57,290**	78,916

14 Trade and other payables

	30 March 2019 £'000	31 March 2018 £'000
Non-current		
Reverse lease premium	**82,299**	78,635
	82,299	78,635
Current		
Trade payables	**204,048**	221,086
Other tax and social security payments	**10,255**	6,300
Accruals and deferred income	**20,227**	18,982
Related party trade payables	**3,558**	14,095
Non-interest bearing intergroup funding	**83**	456
Reverse lease premium	**15,729**	14,234
Other payables	**2,646**	2,478
	256,546	277,631

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

	30 March 2019 £'000	31 March 2018 £'000
Financial assets at fair value through profit and loss:		
Foreign exchange forward contracts	2,383	-
Fuel swap contracts	127	-
Financial assets at fair value through other comprehensive income:		
Foreign exchange forward contracts	3,784	-
Total current other financial assets	6,294	-

Other financial liabilities

	31 March 2019 £'000	30 March 2018 £'000
Financial liabilities at fair value through profit and loss:		
Foreign exchange forward contracts	535	923
Financial liabilities at fair value through other comprehensive income:		
Foreign exchange forward contracts	1,112	15,743
Total current other financial liabilities	1,647	16,666

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

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

	30 March 2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Foreign exchange contracts	4,520	-	4,520	-
Fuel swap contract	127	-	127	-

Notes to the financial statements

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

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 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**
Provided in the period	**365**	**2,361**	**2,726**
Utilised in the period	**(577)**	**(1,858)**	**(2,435)**
Released in the period	**(315)**	**-**	**(315)**
At 30 March 2019	**1,038**	**4,964**	**6,002**
Current liabilities 2019	**664**	**4,964**	**5,628**
Non-current liabilities 2019	**374**	**-**	**374**
Current liabilities 2018	1,186	4,461	5,647
Non-current liabilities 2018	379	-	379

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 £9.4k per claim (£8.4k in 2018). 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.

17 Share capital

	30 March 2019 £'000	31 March 2018 £'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
	1,905	1,905

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

Notes to the financial statements

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 (2018: 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.

	30 March 2019 £'000	31 March 2018 £'000
Not later than one year	**142,278**	131,101
Later than one year and not later than five years	**503,018**	482,740
Later than 5 years	**480,228**	493,850
	1,125,524	1,107,691

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

	Period ended 30 March 2019 £'000	Period ended 30 March 2018 £'000
Lease payments	**141,260**	133,813
Sublease receipts	**(826)**	(286)
	140,434	133,527

Finance leases

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

Capital commitments

There were £2.5m of contractual capital commitments not provided within the company financial statements as at 30 March 2019 (2018: £3.4m). The company is also underwriting the build of the Group's new southern distribution centre, with an expected commitment of £26.3m (2018: £40.7m)

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.

Notes to the financial statements

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 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	**30 March 2019 £'000**	31 March 2018 £'000
Effect on profit before tax	+5%	159	-
	-5%	(159)	-

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.

Approach to hedge accounting

As part of the company's response to currency risk the currency forwards taken out are intended to prudently cover the majority of our stock purchases forecast for that period. However, the company only hedge accounts for the part of the forward that we are reasonably certain will be spent in the forecast period, allowing for potential volatility. Therefore management always consider the likely volatility for a period and assign a percentage to each tranche of forwards purchased, usually in the range 60-80%

Effectiveness of the hedged forward is then assessed against the company hedge ratio, which has been set by management at 80% as a reasonable guide to the certainty level we expect the hedged portions of our forwards to at least achieve. If they fail, or are expected to fail, to meet this ratio of effectiveness then they are treated as non-hedged items, and immediately expensed through Profit and Loss.

Ineffectiveness can be caused by exceptional volatility in the market, by the timing of product availability, or the desire to manage short term company cash flows, for instance, when a large amount of cash is required at relatively short notice.

Notes to the financial statements

If the company did not hedge account then the difference is that the gain or loss in other comprehensive income would be presented in profit or loss and the assets and liabilities presented under the classification fair value through profit or loss would be at fair value through other comprehensive income.

The difference to the income statement if none of our forwards been hedge accounted during the year would have been a loss of £2.3m and a loss in other comprehensive income of £2.7m.

The net effective hedging gains transferred to the cost of inventories in the year was £2.8m (2018: net loss of £21.1m). At the year end the amount of outstanding US Dollar contracts covered by hedge accounting was $696m (2018: $689m).

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%	(4,407)	(553)
	-2.5%	4,634	581
Effect on other comprehensive income	+2.5%	(7,976)	(10,150)
	-2.5%	8,385	10,671

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, derivatives and trade receivables. The credit risks associated with cash and derivatives are limited as the main counterparties are banks with high credit ratings (A long term and A-1 short term (standard & poor) or better, (2018: A-, A-1 (or better) respectively). 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	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000
30 March 2019					
Forward foreign exchange contracts	**1,647**	**-**	**-**	**-**	**1,647**
Intragroup funding	**83**	**-**	**-**	**-**	**83**
Trade payables	**207,606**	**-**	**-**	**-**	**207,606**
31 March 2018					
Forward foreign exchange contracts	16,666	-	-	-	16,666
Intragroup funding	456	-	-	-	456
Trade payables	235,320	-	-	-	235,320

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.

	30 March 2019	31 March 2018
Financial assets	**£'000**	£'000
Fair value through profit and loss		
Forward foreign exchange contracts	**2,383**	-
Fuel swap contracts	**127**	-
Fair value through other comprehensive income		
Forward foreign exchange contracts	**3,784**	-
Loans and receivables		
Cash and cash equivalents	**57,290**	78,916
Trade receivables	**22,770**	6,134
Intragroup funding	**333,743**	240,864
Other receivables	**3,113**	25

	30 March 2019	31 March 2018
Financial liabilities	**£'000**	£'000
Fair value through profit and loss		
Forward foreign exchange contracts	**535**	923
Fair value through other comprehensive income		
Forward foreign exchange contracts	**1,112**	15,743
Other financial liabilities		
Trade payables	**207,606**	235,320
Intragroup funding	**83**	456
Other payables	**2,646**	2,478

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 and Centz Retail Holdings, both customers, 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, Babou SAS 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 30 March 2019 £'000	Period ended 31 March 2018 £'000
Sales to related parties:		
Babou SAS	**662**	-
Centz Retail Holdings Limited	**8,858**	-
Heron Foods Limited	**7,349**	5,103
Home Focus Group Limited	**2,180**	2,408
J.A. Woll-Handels GmbH	**4,057**	1,136
	23,106	8,647
Purchases from related parties:		
Heron Foods Ltd	**19,946**	2,137
Multi-lines International Company Ltd	**123,867**	141,963
Rani Investments	**129**	194
Ropley Properties Ltd	**2,996**	2,976
TJL UK Ltd	**823**	675
Triple Jersey Ltd	**13,083**	12,666
	160,844	160,611

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

	30 March 2019 £'000	31 March 2018 £'000
Trade receivables from related parties:		
Babou SAS	**1,049**	-
Centz Retail Holdings Ltd	**2,045**	
Heron Foods Ltd	**1,509**	1,510
Home Focus Group Ltd	**143**	316
J.A. Woll-Handels GmbH	**5,438**	566
Multi-Lines International Company Ltd	**4,885**	-
	15,069	2,392

Notes to the financial statements

	30 March 2019 £'000	31 March 2018 £'000
Trade payables with related parties:		
Heron Foods Ltd	2,254	1,750
Multi-Lines International Company Ltd	-	9,680
Rani Investments	26	40
Ropley Properties Ltd	655	643
TJL UK Ltd	-	3
Triple Jersey Ltd	623	1,979
	3,558	14,095

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.

	30 March 2019 £'000	30 March 2018 £'000
Non-interest bearing intercompany loan receivables		
B&M European Value Retail Holdco 4 Ltd	90,219	7,296
EV Retail Ltd	167,458	178,836
	257,677	186,132
Interest bearing intercompany loan receivables		
Bedford DC Investment Ltd	76,066	54,732
	76,066	54,732
Non-interest bearing intercompany loan payables		
Opus Homewares	(83)	(456)
	(83)	(456)

The interest expense charged on the Bedford DC Investment Ltd loan was £1,744k for the year (2018: £nil). The nil balance in the prior year is because the majority of the balance arose in the final month of the year and the interest rate had yet to be formally set.

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

As at	30 March 2019 £'000	31 March 2018 £'000
Not later than one year	17,568	16,308
Later than one year and not later than five years	67,666	65,565
Later than five years	79,648	85,934
	164,882	167,807

Tax has been group relieved within the company for nil consideration, see note 8.

Notes to the financial statements

22 Reconciliation of profit before tax to cash generated from operations

	Period to 30 March 2019 £'000	Period to 31 March 2018 £'000
Profit before tax	**273,406**	236,006
Adjustments for:		
Net interest expense	**(1,880)**	(108)
Depreciation	**29,331**	25,355
Amortisation of intangible assets	**1,249**	1,131
(Profit)/loss on disposal of property, plant and equipment	**(156)**	25
Change in inventories	**3,715**	(82,811)
Change in trade and other receivables	**(23,757)**	2,325
Change in trade and other payables	**(17,048)**	36,046
Change in provisions	**(24)**	418
Loss on share options	**953**	615
Loss/(profit) on fair value of financial derivatives	**(1,317)**	(714)
Cash generated from operations	**264,472**	218,288

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.

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

As at	30 March 2019 £'000	30 March 2018 £'000
Interest bearing loans and borrowings	**702,174**	619,968
Less: Cash and short term deposits - overdrafts	**(80,556)**	(84,704)
Net debt	**621,618**	535,264

Notes to the financial statements

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 February 2019, the company declared dividends totalling £6.5m. In March 2019 the company declared dividends totalling £5.0m and dividends totalling £76.0m.

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

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

26 Contingent liabilities and guarantees

As at 31 March 2019 and 30 March 2018, 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 £419m for the loans (2018: £345m), with the balance held in B&M European Value Retail Holdco 4 Ltd, and £250m (2018: £250m) 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.