



Giving customers
fantastic value



Big brands, big savings

B&M European Value Retail S.A.
Annual Report and Accounts 2019

The B&M Group

is growing, with stores operating in the UK, Germany and now also in France.

The Group includes:



B&M

Our B&M general merchandise and grocery stores, with a chain of 620 stores throughout the UK.



Heron Foods

Our Heron Foods convenience stores, with a chain of 281 stores which are predominantly in the North of England.



Jawoll

Our Jawoll general merchandise and grocery stores, with a chain of 96 stores which are predominantly in the North-West of Germany.



Babou

Our Babou general merchandise and grocery stores, with a chain of 96 stores in France.

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Highlights

Financial highlights

Group revenues

£3,486.3m

+15.0%

2018: £3,029.8m¹

Profit before tax

£249.4m

+8.8%

2018: £229.3m¹

Adjusted EBITDA²

£312.3m

+11.9%

2018: £279.0m

Cash generated from operations

£259.4m

+7.2%

2018: £242.0m¹

Diluted earnings per share

20.5p

+10.2%

2018: 18.6p¹

UK and European store estate

B&M stores

+7.6%

- 44 net new B&M stores opened in FY19, growing the estate by 7.6% to 620 stores in the UK.
- Strong pipeline of new stores and on track to achieve about 45 net new UK store openings in FY20.

Heron Foods stores

+6.0%

- 16 net new Heron Foods stores opened in FY19, growing the estate by 6.0% to 281 stores in the UK.
- Strong pipeline of new stores and on track to achieve between 15 and 20 net new UK store openings in FY20.

Jawoll stores

+11.6%

- 10 net new Jawoll stores opened in FY19, growing the estate by 11.6% to 96 stores in Germany.
- On track to achieve around 5 net new German store openings in FY20.



[Read more about our latest acquisition of Babou on page 18](#)

Babou stores

96 stores

Notes

1. Where these items relate to 2018, they are for the 53 week statutory reporting period ended 31 March 2018.
2. The Directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. Adjusted EBITDA is a non-IFRS measure and therefore we provide a reconciliation from the statement of comprehensive income. See the reconciliation of adjusted measures to statutory measures on page 21 for further details. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortisation. The figures presented in the strategic report are for the 52 weeks ended 30 March 2019, and unless otherwise stated, the comparable figures for the previous year are for the 52 week period ended 24 March 2018 rather than the statutory reported 53 week period for that prior year.

B&M is a value retailer

with stores in the UK, Germany and France, selling a limited assortment range of general merchandise and grocery products.



How we operate

Our UK brands

In our B&M and Heron Foods stores we provide customers with a limited assortment within each of our product ranges so they can access the best-selling items at value retail prices. Our products are mainly sourced direct from manufacturers and leading brand household names. The combination of this gives our customers the goods they want at the prices they want. This is what we achieve through the successful execution of our business model. The same approach applies to our bargain stores, homestores and convenience stores in all of our value retail businesses.

Our German and French brands

Our stores in Northern Germany for general merchandise and grocery trade under the Jawoll brand through both in-town and out-of town retail park store formats. Our general merchandise and grocery stores in France trade under the Babou brand also through in-town and out-of-town retail park store formats. Each of these businesses are continuing to develop as they take advantage of the buying power of the Group.

Delivering great value and service to customers

B&M's direct sourcing and simple low cost approach means we can provide our customers with great bargains on everyday household general merchandise and grocery products. Our limited assortment model means that within each category of our products we can continually refresh products, regularly introduce new products and seasonally adjust lines to suit the requirements of our customers. This flexibility enables us to provide products to customers when they want them and at the prices they want, which is all about delivering a great service and shopping experience all year round to our customers.

1. The Directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. See further the footnotes on page 1. Where items relate to 2018 they are for the 52 week period ended 24 March 2018, which is comparable with the 2019 year (rather than the statutory reported 53 week period for B&M in 2018), except as provided in note 2 below.
2. The 2018 figure represents the 34 week period from the acquisition of Heron Foods by the Group in August 2017 to 31 March 2018.
3. The 2019 figure represents the 23 week period from the acquisition of Babou by the Group to 30 March 2019.
4. Babou's store colleagues are not employees of Babou. They are direct employees of the Manager of each store.
5. B&M includes the corporate segment.



Revenue

£2,789.4m

+8.7%

2018: £2,566.0m

Adjusted EBITDA^{1, 5}

£297.0m

+13.5%

2018: £261.7m

Number of stores


620

+7.6%

Number of employees

27,384

+3.4%

 See page 15 for more information



Revenue

£354.1m

+68.6%

2018: £210.0m²EBITDA¹**£19.9m**

+69.6%

2018: £11.7m²

Number of stores

281

+6.0%

Number of employees

4,284

+8.3%



Revenue

£213.7m

+6.7%

2018: £200.3m

EBITDA¹**(£10.2m)**

-281.9%

2018: £5.6m

Number of stores

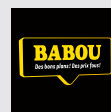
96

+11.6%

Number of employees

2,034

+28.7%

Revenue³**£129.1m**EBITDA^{1,3}**£5.6m**

Number of stores

96Number of employees⁴**92**

Each of our businesses remains well positioned for further continued expansion in the UK and Europe in the years ahead.

The B&M Group is a fast growing business with a long runway for further growth ahead of it. In each of its markets in the UK, Germany and France its overall market share is small compared with specialist merchandise retailers and grocery retailers. There is a big opportunity for further expansion of the store estates we have in each of our businesses in those territories in the years ahead.

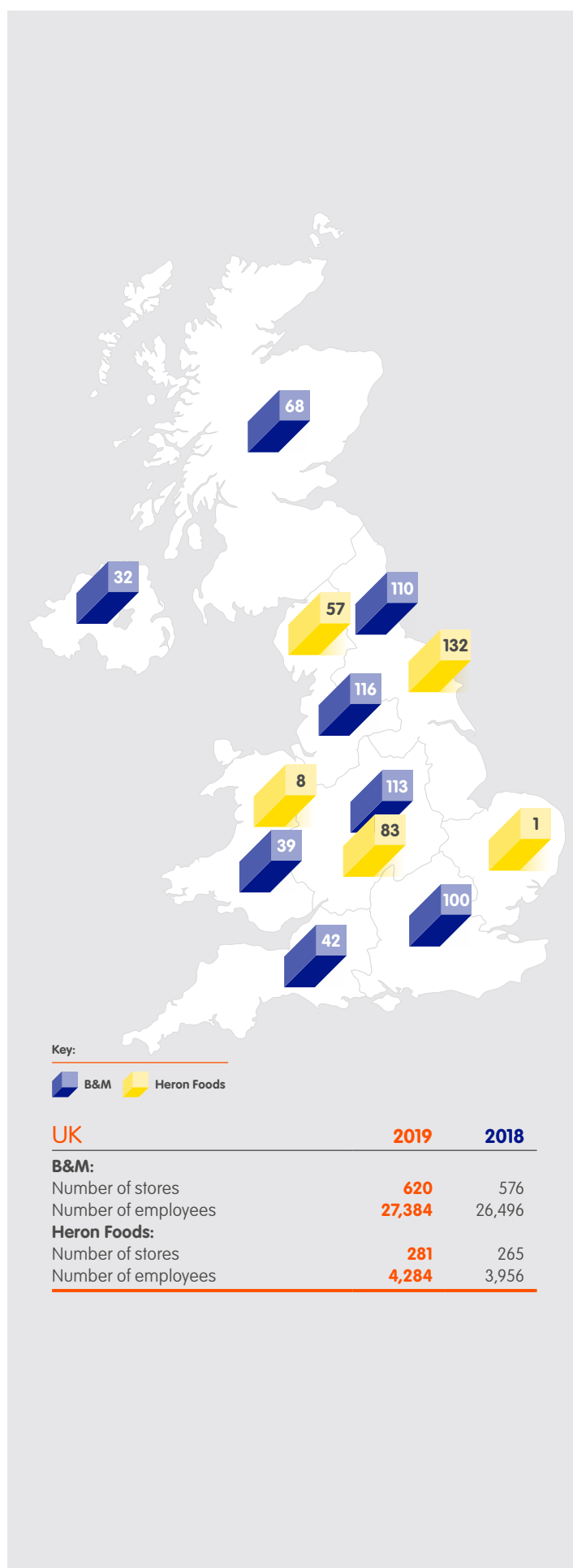
Each new B&M store we open in the UK continues to produce excellent returns. There is substantial scope for yet further expansion with a target of at least 950 stores in the UK.

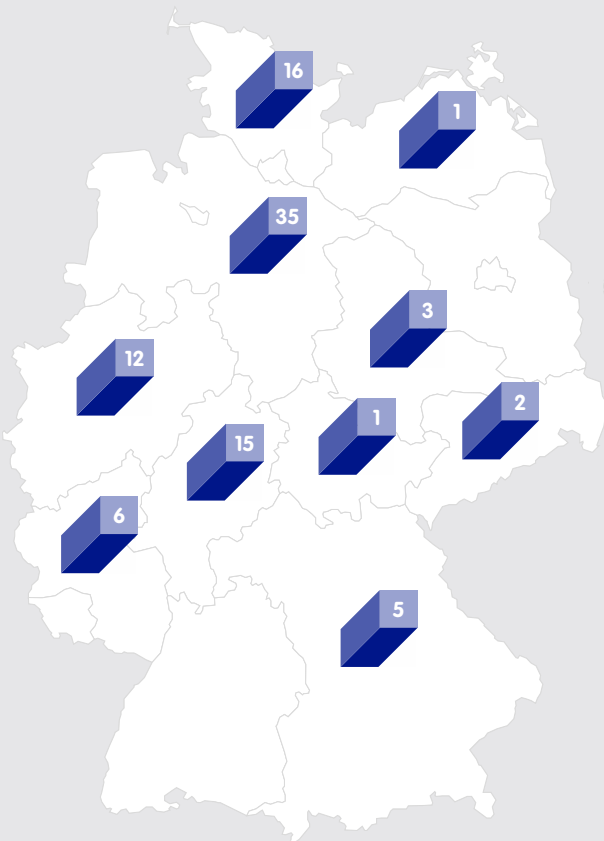
Heron Foods has continued to grow successfully under our ownership since we acquired the business in August 2017. This has provided our Group with an additional platform for growth by our entry into the value convenience sector. We see many years of continued growth ahead of us in that sector, with store expansion both within the heartland of the Heron Foods business in the North of England and throughout the rest of the UK.

With our Jawoll business in Germany, we are refining our value retail offering with more direct sourcing of products through the B&M supply chain, principally for the coming financial year and onward. The Jawoll business is being developed to provide us with access to the significant opportunities which exist in the German value retail sector.

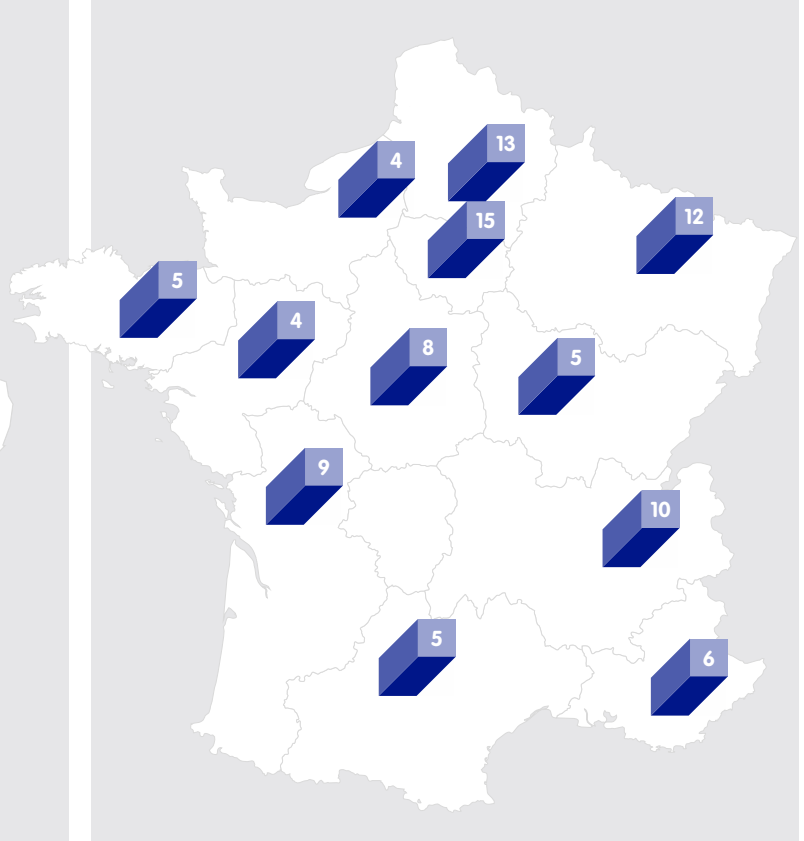
We acquired the Babou stores chain in France in October 2018, as part of our strategy to expand into other European markets in the longer term. There are significant opportunities in the French value retail market for both the Grocery and Non-Grocery product offerings, particularly through the proven sourcing model which has driven our growth for many years in the UK. We can see opportunities for store expansion in the years ahead throughout the main regions of France.

[See page 12 for more information](#)





Germany	2019	2018
Number of Jawoll stores	96	86
Number of employees	2,034	1,581



France	2019
Number of Babou stores	96
Number of employees	92 ¹

1. Babou's store colleagues are not employees of Babou. They are direct employees of the Manager of each store.

A year of good progress



Peter Bamford
Chairman

Group revenues

£3,486.3m

+15.0%

2018: £3,029.8m¹

Adjusted earnings per share²

19.7p

10.7%

2018: 17.8p

Earnings per share

20.5p

10.2%

2018: 18.6p

1. This is for the 53 week statutory reporting period ended 31 March 2018.
2. The Directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. See further the footnotes on page 1.

I am delighted to be able to report to shareholders on another year of good progress at B&M, with the Group again delivering continued growth in revenues, profits and cash generation.

Against the backdrop of another difficult year for a retailing industry that is still struggling to cope with the combined pressures of profound structural change, rising costs and uncertain economic times for consumers, B&M has continued to demonstrate that its value model remains well-adapted and highly relevant to the needs of our growing customer base.

Whilst overall progress was good, the year was not without its challenges. We saw a strong start to the financial year in the UK subsequently disrupted by prolonged warm weather leaving us short of seasonal stock in the summer months and we had a weak performance in our key Homewares categories for several months. Whilst some retailers have closed stores or exited the UK market other competitors have continued to grow and prosper. B&M has worked hard to maintain its value leadership in key categories. In Germany, we have continued to introduce the B&M ranging and sourcing model while we have applied the lessons of our experience. This has required us to clear legacy inventory at a substantial cost to the business. To have achieved the overall progress we did in the year, despite these challenges, I believe demonstrates both the robustness of our business model as well as the skill and hard work of our teams.

In addition to driving a fast pace of change in Jawoll, we took the opportunity, after detailed due diligence, to purchase Babou in France, which had a 95-strong national chain (at the time of acquisition) of general merchandise discount stores. With a good, well-invested store network and infrastructure, Babou gives B&M a platform on which to build a potentially substantial business in another of Europe's largest consumer markets. At the time of acquisition Babou was a profitable business but struggling to grow in a relatively buoyant but fragmented French discount sector. With the core of a new management team already in place before the acquisition, we have moved quickly to begin the introduction of the necessary changes to the business as we move it towards the B&M model.

Much work remains to be done in both Jawoll and Babou but the Board believes, based on our initial experience of trading outside the UK, that we now have clarity on how to apply the B&M model in these two large markets and we are confident of making progress during the year ahead.

I am very pleased to report that we have taken further important steps in the process of evolving the composition of our Board, introducing new, experienced Non-Executive Directors from leading consumer-facing businesses and ensuring an orderly succession as we enter our sixth financial year as a public company. I warmly welcome to the Board Tiffany Hall and Carolyn Bradley who joined the Board during the

Our Values

The main values which underpin our success as a business are as follows:



Simplicity

We like to keep our business simple, fun and uncomplicated. This generates speed and efficiency, allowing us to deliver great value for money to our customers. Simplicity brings with it clarity on how best we can operate our business to succeed.



Trust

We value honesty, loyalty and hard work. We trust our colleagues and empower and support them to help them to make the right decisions for our business.



Fairness

We believe that acting fairly and responsibly in all our dealings with customers, colleagues and suppliers will drive our long-term success.



Proud

Our ethos is to treat B&M's property and money with care like our own. We take pride in our success and ability to provide our customers with great value for money all year round.

year, and Gilles Petit who joined on 2 May 2019. On behalf of the Board, I also thank Harry Brouwer and Thomas Hübner who retired from the Board in November 2018 and May 2019 respectively. They made a significant contribution to the Board in B&M's successful transition to a public company after the IPO in 2014. Their experience, commitment and wise counsel have been invaluable to both myself and my predecessor. I am also delighted that Ron McMillan has agreed to take on the role of Senior Independent Director.

In the year ahead, our trading priorities are to see the restored trading momentum in the UK business in the fourth quarter of the year continue, the completed process of clearing legacy stock in Germany to provide Jawoll with the opportunity to rebuild margins and for Babou to deliver on promising early signs since the new B&M-sourced ranges have begun to be introduced.

The Board has evolved to a significant degree over the last year and I am keen that we get maximum benefit from the experience, perspectives and insights that the new Non-Executive Directors bring to the Board. With the development of B&M's business across three European markets, the organisation is evolving to manage that increased scale and complexity. It is critical that we build the capability and approach to realise the growth opportunity in these markets together with the potential scale benefits for B&M. This requires an element of a matrix organisation while retaining the simplicity and clarity which lies at the heart of the B&M model.

We have started preparing for the application of the UK Corporate Governance Code 2018 (the "2018 Code") which will apply to us in the coming financial year 2019/20. One of the key requirements for the Board under the 2018 Code is to ensure that the Company's purpose, values and strategy are aligned with its culture. The purpose of our business is to deliver great value to our customers, so they keep returning to our stores time and time again, through the application of our limited assortment, direct sourcing and simple low cost business model. Aligned to that our values are simplicity, trust, fairness and being proud of what we offer to our customers (see the box opposite). Together these are the guiding principles behind the culture which we have continued to build as a business, to deliver our strategy of continuing to grow our business successfully by rolling-out our high returning business model in areas of the UK where we are still under-represented and to develop that model in our chosen European markets.

Finally, I would like to take this opportunity to thank our shareholders for their support and the whole B&M team, whose hard work and commitment drives our success.

Peter Bamford
Chairman
22 May 2019

Growth opportunities

We are a growth business operating in markets where our overall market share is small compared with specialist merchandise retailers and grocery retailers, which means we have a big opportunity for continued expansion right across our B&M, Heron Foods, Jawoll and Babou businesses and store estates.

Macro trends

Against a background of tightening real disposable income since the global financial crisis of 2008 we believe there has been a structural shift in UK retailing towards much more value conscious consumer behaviour.

This is relevant to many elements of consumer non-discretionary and discretionary spending. The flight to value has continued, and we believe will continue for the foreseeable future, with consumers either needing or wanting to save money. These conditions play to B&M's core value-retailing strengths.

Also convenience stores and the ability for consumers to have easy local access to everyday items have become increasingly important in the UK market and through our convenience store chain, Heron Foods, we are able to take advantage of this opportunity and service that demand.

Expansion

There is considerable scope for growth in each of our chosen markets in the UK, Germany and France.

In the UK we have a store target of 950 stores which we consider to be achievable based on updated analysis of external consultancy research carried out in 2017. With 620 trading stores opened to date there is still a long runway for growth ahead of us for the B&M stores fascia in the UK.

Our Heron Foods convenience store chain business with 281 stores has the capacity to become multiple times larger as we look to roll it out in the future beyond the North of England where most of those stores are located into other regions across the UK.

There are considerable store expansion opportunities in Germany and France where our Jawoll and Babou store estates are modest both in terms of numbers of stores and revenues relative to the size of those markets and the population demographics of those countries.

Brands

B&M's model is to provide big brands at big savings through our direct sourcing, limited assortment and simple low cost approach.

B&M has a targeted range of branded food and grocery products. Many of those products are from global FMCG suppliers. Our customers enjoy the value pricing of big brand products which we offer within those categories.

Within our general merchandise ranges we offer branded products where brands are an important customer requirement, and also heritage branded products through our relationships with leading national and global brands.

We have actively expanded our offering of leading branded products, for example this year in our toy range, where other specialist retailers have exited the market creating space for variety goods retailers such as ourselves to take up the demand.

The addition of other branded product ranges will continue to evolve in a targeted way as market opportunities continue to open up further over time.

Customer appeal

The attraction for customers visiting our stores is that we offer the best selling products, constantly refresh them and stock seasonal goods, all at great value prices all year round. This means they can buy what they want, when they want it and at the price they want.

Customers visiting a B&M store are typically looking for specific destination purchases, but they will often also buy impulse products as they browse around the store. This impulse buying or treasure hunt is supported by us constantly refreshing our product ranges and introducing new products in our stores. Our limited assortment SKU discipline model enables us to flex our products, refresh them and have a quick turnaround of seasonal goods in comparatively short time frames compared with many other retailers.

Geographic markets


United Kingdom

The UK retail market in which B&M operates had total store-based retail sales of c.£300 billion in 2017¹. B&M has a small share of this market, being less than 1%. We believe that a store target of 950 B&M fascia stores overall in the UK is achievable.

B&M currently has 620 stores, which leaves considerable room for further growth still in the UK alone.

Heron Foods operates in the convenience sub-sector of the UK Grocery market of c.£160 billion in 2017¹. Convenience is an area of growth in grocery retailing in the UK. Heron Foods is an attractive value proposition in a market which has been primarily dominated by the premium pricing models of other retailers.

Heron Foods currently has 281 stores with room for expansion from its North of England heartland to other regions of the UK.

 See page 4 for more information

Germany


The German retail market had store-based retail value sales of over c.€400 billion in 2017¹. The general merchandise value retail market remains fragmented in Germany and there are few variety goods retailers operating successfully on a national scale.

Jawoll principally competes in the German general merchandise value and discount segment with only a limited range of grocery lines, thereby differentiating itself from the highly competitive grocery discount channel dominated by Aldi and Lidl.

As part of B&M's Group, Jawoll is also beginning to leverage the opportunity to expand the breadth of its non-grocery range, as well as developing its producer branded grocery and FMCG offering.

Given both the size of the German market and the small market share of Jawoll, the Jawoll business has the potential to expand in both its core regions and beyond those regions in the future.

Jawoll has 96 stores predominantly in North-Western Germany with considerable scope for expansion in that and other regions.

 See page 5 for more information



France

The French retail market is the second largest in continental Europe behind Germany. The market has attractive dynamics including the overall market size, the popularity of the growing discount channel and healthy operating margins achieved by several of the incumbent operators.


Babou is in the process of adopting the direct product sourcing and limited assortment sku discipline model of B&M. It is also introducing food and grocery products into its product mix and refining its general merchandise product ranges, to position itself in a similar way to the B&M offering which has achieved considerable growth in the UK over many years.

Babou currently has 96 stores and predominantly operates in the general merchandise, clothing and footwear sector of the market.

Given both the size of the French market and the small market share that Babou currently has in the market opportunity exists for Babou to grow its store footprint.

Notes

- Figures are based on management estimates having regard to external market research on the size of the relevant market in 2016/17.

 See page 5 for more information

Customer experience

We only offer the best selling lines of products within each of our food, grocery and general merchandise ranges. This limited SKU discipline means we can refresh our product offering, frequently introduce new products and seasonally alter our lines to meet the changing demand of our customers for different types of products all year round. This provides customers with a shopping experience that meets their needs and which is also fun and exciting as new product offerings come into our stores constantly.

From our own exit survey, 70% of our B&M UK store customers visit our stores at least once every two weeks.

Destination purchase

Based upon our own research c. 80% of customers visits to our B&M UK stores are planned, with customers regarding B&M as a destination store across the full range of product categories. The targeted grocery offering at competitive prices and also the attraction of general merchandise goods (for example kitchen goods, homewares, toys, DIY and gardening products and seasonal goods) at great value prices are the main reasons for customer visits to our stores.

New products

A key part of the B&M product offering is the number of new products which are introduced into our B&M UK stores each week. We average around 100 new products per week predominately within our general merchandise categories, whilst still maintaining the discipline of our limited assortment model. The number of new products introduced gives customers a good reason to visit our stores frequently to see what is new. Last year we averaged 4.4 million customer transactions a week across the B&M UK store estate.

Impulse buying/treasure hunt

When a destination customer has completed their primary shopping mission at B&M, it develops into a "treasure hunt" as they also see other product lines at great value prices. This gives us the opportunity to increase the basket size of sales to customers. From our own research while c.80% of customers come to our stores for a destination purchase, when the basket is analysed nearly 50% of purchases made by them are impulse buys.

Business model

Great products and fantastic value

Competitive strengths

Modern store network

Our network of over 1,000 well-located and well-invested stores in the UK, Germany and France are in convenient locations in modern retail parks, popular district centres and high streets. They are close to where people live, so it makes it easy for customers to shop.

Well-invested infrastructure

We have a modern supply chain and scalable infrastructure to support the operations and growth of the business. In the UK we are in the construction phase in relation to the development of an additional Distribution Centre in the South of England. This will provide B&M with a further 1 million sq ft of warehouse capacity, which will be operational in January 2020.

Strong brand reputation

The B&M, Heron Foods, Jawoll and Babou names are recognised established brands in the markets in which we operate our respective store chains. Those brands each have a strong and growing reputation for delivering consistently great value, innovation and newness in relation to the products people buy regularly for their homes and families. This keeps customers coming back to our stores week-in, week-out.

Skilled buying teams

Developing products and ranges to constantly provide great value as well as being fresh and on-trend takes skill, experience and discipline. We have colleagues with many years of combined experience and skills within the specialist buying and merchandising teams in each of our Group businesses. They know what customers want and they know how to design and deliver it at value price points.

Strong supplier relationships

Maintaining our competitive value led price model is also about developing and retaining strong long-term supplier relationships. Many of our suppliers have grown and developed established trading relationships with us over many years with our Group businesses.

Sound governance & risk management

Our corporate governance and risk management approach is geared toward ensuring we have effective and robust corporate governance structures and processes in place. Our Directors have many years of retail and consumer product business experience across a range of international markets. They provide constructive challenge to our management teams, so that the best outcomes are achieved for all our stakeholders in how we operate our businesses, provide value and manage risk appropriately.

Our aim is to provide customers with a fun and exciting shopping experience, offering them great products and fantastic value so they return again and again to our B&M, Heron Foods, Jawoll and Babou stores.

Operations

Targeted
grocery offering

Cost
efficiency

Format
flexibility

Generating long term

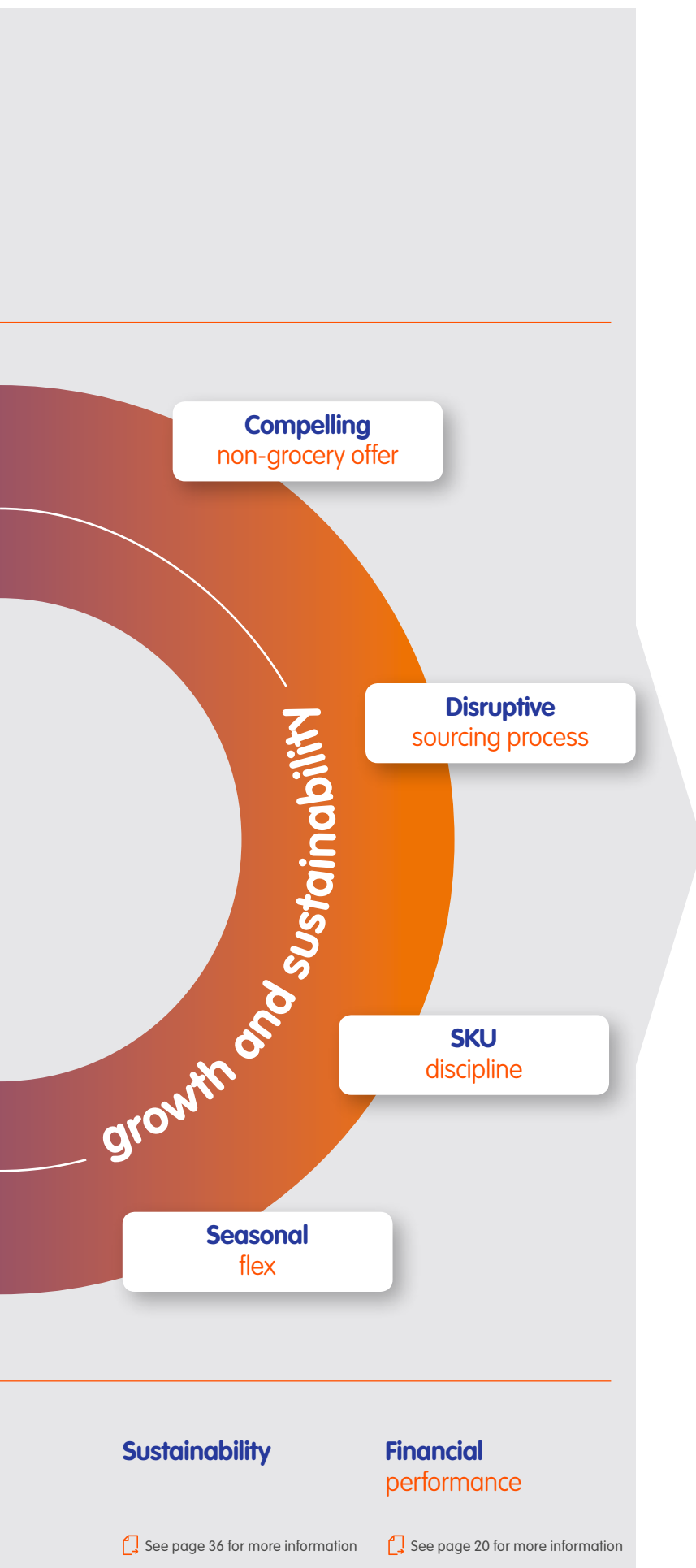
Underpinned by:

Corporate social
responsibility

Risk
management

See page 32 for more information

See page 26 for more information



Stakeholder value

Happy customers

Giving great value to customers is at the heart of our business. Helping our customers spend less on the things they buy regularly for their homes and families is what our business model is designed to constantly deliver whatever the broader economic outlook.

Valued colleagues

Our colleagues are vital to the delivery of our products throughout all our stores to customers. Our continued growth provides new job opportunities and promotions in the communities where we trade. There is plenty of scope for colleagues throughout our store network, supply chain and central operations to build long-term and successful careers in each of our businesses as we continue to expand at a significant rate. We pride ourselves in our businesses being innovative and exciting places for colleagues to work, grow and develop their full potential.

Respected partners

Our growth is also very good for our suppliers. Many of them have established relationships with us over a number of years. We have strong relationships which include well-known household name brands for food, grocery and FMCG. We also have a number of partners with growing long-term relationships with both our exclusive and other branded general merchandise product ranges. We are proud to promote the brands we own and those of our partners for the mutual benefit of our respective businesses.

Supporting communities

Our store opening programmes are aimed at making investments in new stores in communities where we are under-represented or not represented at all. This provides new jobs in local communities each time we open a new store, and access to local communities to value for money products. We are also proud to contribute to the revitalisation of local communities where other retailers have retrenched and we have been able to provide new investment through our range of different store formats to suit the relevant locality.

Returns for investors

Creating value for our other stakeholders is an essential underpin to creating shareholder value for investors. Our characteristics of low capital-intensity and high-returning cash generative growth, is a relatively rare and powerful combination in retailing. These characteristics feed into the sustainability of our business model which enhances our ability to provide growth and returns to investors.

Long-term strategy

Our strategy is to deliver long-term success and sustainability through our continued growth and expansion.

Operations



Deliver great value to our customers



Invest in new stores



Develop our international business




Invest in our people and infrastructure

Progress

Our Food and Grocery product offering remains strong, which provides shoppers with the attraction of knowing they can access household name branded products at value prices.

We have increased our market share of Toys in the UK over the last year, taking advantage of the opportunity left by there now being a smaller number of bricks and mortar specialist category retailers operating in this space. Our range includes a number of leading brand products, which we have successfully expanded over the last two years resulting in particularly strong growth in this category.

We have continued to increase the development of our direct to retail licensing model to more product lines and categories in the year, in particular with heritage brands in electrical and DIY ranges.


 See page 15 for more information

In the B&M business we have opened 54 new stores in FY19, (44 net of closures and relocations), including both vacant existing properties and new build stores.

In our convenience store chain, Heron Foods, we have opened 20 new stores, (16 net of closures and relocations) in FY19.

In Germany our new store expansion in the year was 10 net new stores (see further below).


In France we have opened one new store since the acquisition in October 2018.

 See page 15 for more information

Jawoll opened 10 net new stores by organic growth, taking the store estate to 96, representing a 11.6% increase in its store estate.

Since the beginning of FY19/20 Jawoll is now increasingly sourcing more general merchandise products through the B&M direct sourcing supply chain.

In October 2018 B&M acquired Babou Stores in France, which had a chain of 95 stores at the date of the acquisition. We are already starting to introduce the direct sourcing of stock through the B&M supply chain as quickly as possible following the acquisition, and we are expanding the Grocery/FMCG offering of Babou. This is already underway and the early signs are that these changes are proving to be appealing with customers.


 See page 16 for more information

In the Group we created over 1,600 new jobs (not including those in Babou in France).

We are well underway with the construction phase for a new 1 million sq ft UK warehouse based in the South of the UK, which will have capacity for at least a further 300 stores.

We have continued to refresh our existing store estate and we invested £34.9m across the Group in maintenance capital expenditure as part of a rolling programme of continuous investment in the Group's store estate in FY19.

We have invested in a digital Workforce Management System for our stores which will be live in FY20.

 See page 32 for more information

Performance

UK revenue growth¹

+11.1%

UK like-for-like sales growth (B&M)²

+0.7%

See page 20 for more information

See principal risk number 1 on page 27

UK gross new store openings

54 B&M
20 Heron Foods
10 Jawoll

See page 15 for more information

See principal risk number 12 on page 30

Germany revenue growth

+6.7%

See page 20 for more information

See principal risk numbers 1 and 5 on pages 27 and 28

New colleagues across the Group (including Babou)

+5.2%

See page 17 for more information

See principal risk number 5 on page 28

Looking ahead

We will continue with our successful proven strategy of concentrating on providing the best-selling branded and private label products at our stores.

We are planning to build on our success in FY19 by continuing to exploit opportunities to introduce more Toy branded products to provide more authoritative ranges for our customers.

Our continuing programme of investment in re-fitting our older generation stores is a key part of our strategy to ensure that we provide our customers with an attractive shopping experience within modern, pleasant and safe store shopping environments.

We have a UK target to grow our B&M estate to at least 950 stores. We currently have 620 stores and we are targeting to open 40-50 stores per annum, dependent on the availability of suitable locations. We have a healthy pipeline of new store opportunities for both FY20 and FY21.

While we have not provided an overall store target for our Heron Foods convenience store chain, given the current geographical representation of Heron Foods, we are targeting at least 15 to 20 new store openings per annum.

We will continue to deploy our direct sourcing limited assortment model in our Jawoll and Babou stores, to accelerate the rate of products sourced through the B&M supply chain. This is designed to increase the general availability of those ranges in our European store networks and integrate them into the successful B&M sourcing and ranging model.

We plan to grow our store estate in Germany through organic store openings, with 5 new openings planned for FY20.

We continue to look for other acquisition opportunities or bolt-on businesses in Germany where they would be complementary to our existing Jawoll store network.

We plan to have completed the construction of the Southern distribution centre and for it to be operational by January 2020.

We continue to invest to ensure that we have appropriate training and processes to attract, retain and incentivise colleagues, as well as continuing to invest in strengthening the management team and the central head office functions of each of the businesses in the Group.

We are investing in a digital technology compatible Workforce Management System which will be implemented during the course of FY20. This investment will help to plan work rotas between colleagues, time and attendance management and scheduling of training, and allowing colleagues to use smart phones instead of paperbased processes, for the benefit of both the business and colleagues.

1. The prior year period was a 53 week statutory reporting period ended 31 March 2018.

2. Like-for-like revenues relate to the B&M estate only and include each store's revenue for that part of the current period that falls at least 14 months after it opened; compared with its revenue for the corresponding part of the previous period. This 14 month approach has been used as it excludes the two month halo period which new stores experience following opening.

Driving forward B&M's growth strategy



Simon Arora
Chief Executive Officer

Profit before tax

£249.4m

+8.8%

2018: £229.3m¹

2019	£249.4m
2018	£229.3m
2017	£182.9m

Overview

It is pleasing to report another year of continued revenue and earnings growth and renewed trading momentum, whilst absorbing the necessary costs of preparing the business for long-term growth and success.

The core B&M business had a good year, tempered in part by the weak performance of our Homewares categories during the second and third quarters; an issue which was temporary and which has now been resolved, as referred to below. A strong return to trading form in the fourth quarter, with a strong performance from new stores and a robust gross margin, combined with diligent control of costs, delivered a good overall outcome in terms of profit growth and cash generation. We remain pleased by our acquisition of Heron Foods, which continued to perform well.

In Germany, performance was hampered by the need to clear obsolete stock to make way for new ranges and a greater proportion of product sourced through B&M's supply chain. With most of this costly activity now concluded, the Jawoll team are able to offer its shoppers a more compelling product range, utilising B&M's approach to limited assortment and directly-sourced product, being the key drivers of our disruptive pricing in the UK.

We are delighted to have completed the acquisition of Babou in France last October. It is a business with modern, well-invested stores and infrastructure, ideally suited we believe for the introduction of our model. The new management team have made good early progress but we are at the beginning of a far-reaching change to the product offer in the business. This is an ongoing process which will continue over the coming financial year.

Strategic development

Driving forward B&M's growth strategy in the UK and in Europe's two largest consumer markets in Germany and France are the key areas of our focus. We are applying the lessons learned from our early experience of operating in Germany to France, with the aim of unlocking substantial long term value for the Group in those markets.

We have a long growth runway in the UK, a winning formula and plentiful opportunities to add new stores profitably. The same is not yet proven in Germany and France but I am hopeful that we have made significant strides towards that objective in recent months as we deal with legacy slow-moving stock issues in both those businesses. We remain excited about the strategic opportunity in all our chosen markets.

B&M's strategy for driving sustainable growth in revenues, earnings and free cash flow has four key elements and the business has made further progress during the year with each of these priorities:

¹ This relates to the 52 week period ended 24 March 2018, which is comparable with the 52 week 2018/19 financial year.

“The opportunity to expand B&M’s UK store network remains large.”

1. Delivering great value to our customers

Consistently good value across a limited range of products and categories, which customers buy regularly for their homes and families, is at the heart of our appeal. Combined with constant newness in our general merchandise offer, with typically c.100 new lines per week, it is why over 4 million shoppers now come to our UK stores each week. A significant proportion of our customers visit our stores at least once every two weeks, reflecting our success in becoming a core part of their shopping habits.

Our disciplined approach to keeping running costs low, buying large volumes per product line direct from factories and stocking only a limited assortment of the best-selling items in any one category, is why we are able to be so competitive and also profitable. Successful value retailing is centred on an obsession with keeping costs and prices low; but it is more than that for B&M, we are not just about selling cheap products, we are about selling good quality products, including many leading brands, at discounted prices to customers who either need or enjoy a bargain.

This year we have achieved significant progress in some key categories which suggest customers increasingly see B&M as a destination retailer. This is an important change from even a few years ago and one that augers well for the future. For example, our share of the UK Toy market today is c.7% versus our share of total retail spending in the UK at under 1%. Toy category revenues have grown faster than the business for some time with the result that more key suppliers, such as Lego, Disney and MGA, are partnering with us and helping us build more authoritative ranges for customers. We see more opportunity in this already important category.

Our Homewares ranges endured a period of marked underperformance in the second and third quarters of the year but after a complete category review, reset and re-merchandising of our stores, featuring improved product and display, Homewares have resumed growth and have returned to positive like-for-like growth on the prior year. This remains a large, highly fragmented market from which a number of existing retailers are continuing to exit space either locally or nationally and, with our strengthening offer, we see this as an important opportunity for B&M.

Our seasonal category sales had a very good year. We saw strong demand during the summer months for Garden and Outdoor Leisure products, but with the prolonged summer we were short on stock. Christmas Decorations sold well at full price during the peak trading period for those lines. Our great sell-through in both those seasons led to a robust overall gross margin performance. These products are right in B&M’s sweet spot; they are where our pricing is at its most disruptive, and where the flexible use of our store space can be used to its best advantage. We believe there is an opportunity to continue to grow our market share in these large categories, given our competitive advantage and the structural challenges faced by incumbent retailers in those sectors.

2. Investing in new stores

The opportunity to expand B&M’s UK store network, both in heartland areas and in areas where we have few or no stores, remains large. Our 950 store target for the UK, excluding Heron Foods and B&M Express, gives us years of growth runway at current rates of expansion. New store performance and investment returns continue to be excellent and the flow of attractive, profitable opportunities to open either purpose-built or existing real estate is strong. Importantly, this is allowing us to open a number of new stores over and above our long-term planned objective, and it also means that we are able to be very selective, maintaining a high level of site and asset quality as well as competitive rental levels.

Some 54 main B&M fascia stores were opened in the year. Five of these were relocations, principally where we were able to secure a larger, more modern unit in the same catchment area. Ten stores were closed, reflecting mainly end-of-lease circumstances, leaving the B&M fascia with overall net new openings in the year at 44 and total store numbers at 620 at the year-end. The programme for the current year is strong, with some 50 gross new stores now planned compared with our initial forecast for the year of 45. The forward pipeline for FY21 is also in very good shape.

Heron Foods traded well throughout the year, continuing to benefit from improvements to its product assortment. Heron Foods opened 20 new stores in the year and closed or replaced 4 stores, ending the year with 281 total stores. A similar new store programme for Heron Foods is planned for the current year.

In Germany, Jawoll opened, as planned, a total of 10 new stores, including 6 under the B&M fascia in regions outside its heartland trading area. A further existing store was also converted to the B&M fascia, with pleasing results. Jawoll finished the year with 96 total stores. Approximately 5 new stores are planned for the current year, with a strong pipeline of potential new stores in place which could support an acceleration of openings in the future if the performance of the business improves sufficiently quickly. Babou has plans to open 5 new stores most of which had been committed to and were under negotiation before acquisition. Babou operated 96 total stores at the year-end.

Strategic development continued

3. Developing our international business

We took two significant steps in the year as we pursue our ambition to develop a substantial international business. The first was to accelerate the clearing through of poor-selling legacy ranges in our German business, Jawoll. The second was to acquire Babou, a 95-strong discount store chain in France, giving us a platform to develop in a third large European market. In France we have adopted a fast pace of change in the business as we apply the lessons learned from our early experience of operating in Germany.

These are important steps. The Jawoll management team's ability to drive revenue and earnings growth has been hindered by the poor performance of product ranges assembled by the previous management team. Whilst progress has been made, the overall performance, in both revenue and profit terms, has been hindered by the need to mark down and clear that slow selling legacy inventory. This activity has been costly but is now largely complete, which will allow the team to now focus on further improving the offer for customers alongside improving the efficiency of logistics and distribution.

The performance of the Jawoll categories in which the range changes are advanced or completed has been encouraging. Significantly, the product departments that benefited from the B&M Supply Chain have performed well, particularly where they have not been hindered by legacy stock still in the business. Much work remains to be done in logistics and distribution but we have much greater clarity in terms of how to generate profitable growth in new markets.

It is early days in France but the new management team has already benefited from the knowledge and experience gained in Germany and from the opportunity to gain an understanding of the B&M sourcing and ranging model. We have a comprehensive integration plan which we developed well ahead of the acquisition. Furthermore, the costs associated with the necessary changes in Babou's product ranges have also been built into our plans. The initial phase of inventory clearance in Babou, focused primarily on clothing, is already underway, as is the forward ordering of B&M sourced general merchandise and also impulse grocery and FMCG items. The team has a lot to do but the transformation of Babou is on track and the initial reaction to B&M sourced products has been pleasing and gives us confidence to believe that the deliberate shift to reduce the size of the Clothing and Footwear categories is the correct strategy for that business.

4. Investing in our people and infrastructure

Construction of our new Southern UK Distribution Centre in Bedford is nearing completion. We expect handover to take place in the next few weeks, and indeed our fit-out of the early phases of the building has commenced. We are on track for the initial operational phase of the centre from January 2020 onward, after Christmas peak trading. In FY20 we will incur rental and occupation costs (subject to completion of a sale and lease back) of approximately £6m and also commissioning costs of approximately £6m, which we expect to recover through the cash development profit realised on a sale and leaseback. From FY21 onwards we expect efficiency savings in our Transport function to largely offset the additional rent. We expect the new Distribution Centre will provide sufficient capacity for our expansion plans into the foreseeable future, including our 950 store target for B&M.

Over the course of the financial year under review, we completed the roll-out of a best-in-class Warehouse Management System across our key Distribution Centres in the North West. The cost of the roll-out, training and implementation had impacted the costs of the warehouse operation but this investment should now lead to improved productivity, resilience and scalability going forward.

At our store level in the coming year we are investing in a digital technology compatible Workforce Management System which will be implemented over the course of that year. This investment will help to plan work rotas between colleagues, manage Time & Attendance effectively and allow colleagues to use smart phones to carry out what were previously paper-based processes. This investment will benefit both the business and our colleagues.

We have created a plan to invest in strengthening our senior management to support the continued rapid expansion of the business of the Group. The implementation of the plan has commenced during the year with senior manager recruitments in European-wide areas of responsibility in the Group for Finance and FMCG. Other senior recruitments have been made in our Buying teams in the UK and France in particular, and others are planned in relation to other areas of strategic and operational importance as the Group continues to grow.

“Babou is a business with modern, well-invested stores and infrastructure, ideally suited to the introduction of our model.”

Corporate social responsibility

B&M's presence in local towns and communities helps to create new jobs each time we open a new store and it extends our reach to more new customers who want or need a bargain on everyday purchases for their households. This helps limited spending budgets go further. Our Heron Foods, Jawoll and Babou stores similarly serve the communities in which those stores are located and where new ones are opened each year. We also recognise the important part we have to play in relation to other aspects of our operations and their impacts in relation to colleagues, suppliers, the wider community socially and the environment. Some points I would like to highlight this year include:

- the creation of over 1,600 new local jobs in the UK and Germany together, mainly through our store expansion;
- the development and training of our own talent through our Step-Up Programme promoting 202 colleagues to B&M Deputy and Store Manager positions;
- our recycling of high levels of supply chain waste, with 99.5% of the Group's trade packaging waste being recycled; and
- proudly supporting for a third year the Mission Christmas charity appeal through sponsorship, with yet more of our stores participating as collection points for presents donated for underprivileged or poorly children for the appeal.

Outlook

Our UK strategy for high-returning growth is on track and our new Southern warehouse infrastructure is almost ready. This will give us the capacity to fulfil our long-term objectives in a market where we see considerable opportunity for our winning formula. Consequently, we look forward to the year ahead and beyond with confidence.

The source of our competitive advantage is the model itself and the next challenge for us is to bring the same price disruption and value for money to our new markets in Germany and France when fully applied as it does in our home market. That is the task we have set for ourselves. Success must ultimately be measured in revenues, profits and returns and we recognise there is much work to be done over the next 2 years in these two subsidiaries.

Our core B&M fascia, representing 80% of our Group Revenues, ended the year with good trading momentum, despite the fourth quarter not having the benefit of Easter trading and the continued general political uncertainty. I am pleased to report that this strong positive momentum has continued into the new financial year. We just achieved our best ever Easter trading season, with healthy positive like-for-likes, but it would be prudent to expect more moderate like-for-like growth in the full year as a whole.

On behalf of the Board I would like to thank all of our colleagues in stores, distribution centres and offices across the Group for their continued hard work and commitment.

Simon Arora
Chief Executive Officer
22 May 2019



European expansion

Number of stores

96

Average store size

c.27,000 sq ft

Store network and distribution

Following on from B&M's initial expansion into Germany in 2014, with our acquisition of an 80% shareholding in Jawoll, the Group has continued to look for other opportunities to develop its disruptive value retail model in other European markets.

In October 2018 the B&M Group acquired the Babou general merchandise value retail group with a network of 95 stores in France. The French market is an attractive discount retail channel which has grown in popularity in recent years with a number of other established operators. The acquisition of Babou is a platform to enable B&M to develop and grow its value retail model in the French market.

Babou's stores are mainly in out-of-town locations and have an average store size of c.27,000sq ft. This is comparable to the highly successful B&M Homestore format in the UK, in terms of size, locations and customers.



The store network is supported by a 540,000 sq ft Distribution Centre in central France near the City of Clermont-Ferrand where the Head Office of Babou is also located. The central location of the Distribution Centre enables it to operate as a hub supporting the whole of the existing store network.

Integration plan

Our strategy for the Babou business is to apply B&M's direct product sourcing and limited assortment SKU model, while refining Babou's existing product offering.

To achieve this the SKU count is being reduced from the c.30,000 SKU's which the business was carrying at the time of acquisition, to a much smaller number of SKU's going forward by focusing on the best sellers only in each product category.

The deployment of the limited assortment model is now already well underway in the sourcing and procurement processes which Babou has adopted in relation to new product ordering from the B&M general merchandise supply chain.

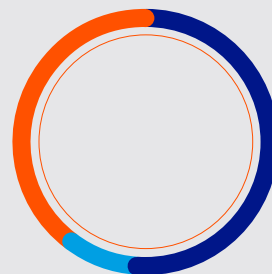
Customer profile and product categories

Targeting a customer profile of those shoppers who either need or are simply looking for a bargain in relation to their weekly food and grocery basket, while also offering general merchandise products on the same shopping visit all at disruptive value prices, we believe will provide a winning formula in France which has proved to be enduringly appealing to B&M's customers in the UK.

Therefore as well as the introduction of general merchandise products sourced by Babou's own French buyers from the B&M supply chain, the food and grocery offering of Babou is being supplemented to provide customers with the attraction of leading brand products at value prices, which has been a key to B&M's success in attracting millions of customers to our stores, week-in, week-out in the UK over many years.

Product Categories

● General Merchandise	51.3%
● Seasonal General Merchandise	9.0%
● Clothing and Footwear	39.7%



A strong performance again this year



Paul McDonald
Chief Financial Officer

Increase in store estate FY19

17.9%

Number of stores 31 March 2019

1,093

2018: 927

Profit after tax

£202.7m

+9.1%

2018: £185.5m

2019	£202.7m
2018	£185.5m
2017	£144.0m

Accounting period

The FY19 accounting period represents the 52 weeks trading to 30 March 2019 and the comparative financial period represents the 53 week period for the B&M UK segment to 31 March 2018. Throughout the financial review and unless otherwise stated, the FY19 commentary will refer to the 52 weeks to 24 March 2018 for the FY18 comparative, so as to better reflect the underlying business performance.

Financial performance

Group

The Group revenue in FY19 was £3,486.3m (FY18: £2,976.3m), this represents an increase of 17.1% and on a constant currency basis, a 17.0% increase¹. The overall gross margin was 34.1% (FY18: 33.9%).

The operating costs of the Group, excluding depreciation and amortisation, grew by 20.0% to £877.1m, including new store pre-opening costs. Depreciation and amortisation expenses grew by 37.4% to £49.7m, reflecting the investment in new stores and the additional depreciation on the non-comparable period relating to Heron Foods and Babou.

We report an adjusted EBITDA² to allow investors to understand better the underlying performance of the business. The items that we have adjusted are detailed in note 3 on page 85, they totalled £(2.5)m in FY19 (FY18: £4.9m).

Overall Group adjusted EBITDA² increased by 11.9% to £312.3m.

B&M UK

In the UK, B&M revenues increased by 8.7% to £2,789.4m, principally driven by the new store opening programme, including both the annualisation of revenues from the 39 net new store openings in FY18 and the 44 net new store openings in FY19, and an additional £11.5m from wholesale revenue.

There were 54 gross new store openings in the year, and 10 closures, with 5 of the closures being relocations. The 54 openings contributed £100.7m of revenues in FY19, and the stores continue to deliver attractive returns on investment, and where appropriate, we will continue to take advantage of relocation opportunities that allow us to open modern, large stores that allow our customers access to our full product offering.

Revenues in the like-for-like³ store estate grew by 0.7% (FY18: 4.7%) and we are continuing to see a strong performance on the Grocery / FMCG ranges as the UK consumer structurally continues to seek out value. The Homewares categories account for c. 16% of the revenue mix and have had a disappointing year, which has been a drag on the overall like-for-like³ of 1.8% but it was encouraging that the new Homeware ranges that have been introduced in the fourth quarter have performed well and we had a strong finish to the year with the overall fourth quarter like-for-like revenues growing by 5.8% despite the headwind of the timing of Easter trading.

In the B&M UK business the margin increased by 29 basis points reflecting the strong sell through on the seasonal ranges despite the drag from the mix effect of the strong like-for-like³ revenue performance on the lower margin Grocery and FMCG products.

In the B&M UK business, operating costs, excluding depreciation and adjusting costs, grew by 8.0% to £657.0m, while costs as a percentage of revenues decreased by 16 basis points to 23.6%. Within the year the business has managed to largely absorb the impact of the living wage through efficiency savings, although there have been inflationary cost pressures on transport and distribution costs. The absolute cash increase in costs was principally driven by the new store opening programme, from both the new stores opened in the year and the annualisation of costs from the new stores opened in FY18 and also the variable operating costs required to service the new stores.

In the B&M UK business the adjusted EBITDA² increased by 13.5% to £297.0m (FY18: £261.7m) and the adjusted EBITDA² margin increased by 49bps to 10.6%.

Jawoll

At our German business, Jawoll, revenues grew to £213.7m, which was a 6.7% increase over the £200.3m achieved in FY18. The growth was driven by the annualisation of the 11 net stores opened in FY18 and the 10 openings in FY19 and some modest like-for-like sales growth.

In our German business, margins reduced by 392 basis points as we have continued to clear old slow-moving stocks ahead of the new Spring/Summer seasonal ranges arriving in store from the B&M Far East supply chain.

Operating costs excluding depreciation, grew by 18.4% to £79.4m, with costs as a percentage of revenues increasing by 368 basis points to 37.2%. This increase is largely as a result of increased warehouse costs supporting the move to direct sourcing.

The EBITDA decreased by 281.9% to £(10.2)m (FY18: £5.6m).

Summary operating profit

£ millions	2019	Pro-Forma 52 weeks to 24 March 2018	53 weeks to 31 March 2018	Versus Pro-Forma 52 weeks
Number of stores				
UK	901	841	841	7.1%
Germany	96	86	86	11.6%
France	96	–	–	
Total stores	1093	927	927	17.9%
Revenue	3,486.3	2,976.3	3,029.8	17.1%
Gross profit	1,189.4	1,010.2	1,028.4	17.7%
%	34.1%	33.9%	33.9%	0.2%
Operating costs	(877.1)	(731.2)	(745.1)	20.0%
Adjusted EBITDA	312.3	279.0	283.3	11.9%
%	9.0%	9.4%	9.3%	-0.4%
Depreciation	(49.7)	(36.2)	(36.9)	37.3%
Interest	(22.9)	(21.4)	(21.6)	7.3%
Adjusted profit before tax	239.8	221.5	224.8	8.2%
Adjusted costs	2.5	(4.9)	(4.9)	-150.9%
Adjusted interest income	7.1	9.4	9.4	-23.7%
Profit before tax	249.4	226.1	229.3	10.3%

Reconciliation of adjusted items

	Audited 52 weeks to 30 March 2019	Pro-Forma 52 weeks to 24 March 2018	Audited 53 weeks to 31 March 2018
Profit on ordinary activities before interest and tax	265,151	238,020	241,514
Add back depreciation and amortisation	49,674	36,155	36,882
EBITDA²	314,825	274,175	278,396
Effect of derivatives in cost of sales	(61)	(509)	(509)
Effect of derivatives in administrative expenses	(5,646)	4,334	4,334
Heron/Babou acquisition costs	425	1,049	1,049
Foreign exchange on inter company balances	2,799	–	–
Adjusted EBITDA²	312,342	279,049	283,270

For further information and segmental detail of adjusted measures see notes 2, 3 and 4 to the financial statements on pages 84 to 86.

Heron

Revenues at our convenience store business, Heron Foods grew to £354.1m (FY18: £210.0m) of which £121.0m was attributable to the period when there was no FY18 comparison with the business having been acquired in August 2017. The business has delivered a strong sales performance with revenues benefitting from an improved ambient food offer leveraging from the B&M supply chain and relationships. The new store programme has accelerated and we opened 20 gross stores in FY19 (net 16 stores) and we have plans to open at least 15 in FY20.

The impact of a higher mix of branded product has resulted in a gross margin reduction of 54bps but as a result of strong cost control and the operating leverage on the fixed cost base, operating costs as a percentage of revenues decreased by 57bps to 25.9% (FY18: 26.4%).

The EBITDA² was £19.9m, which compares to the £11.7m for the part period of ownership in FY18 and the EBITDA margin improved by 3 bps to 5.6%.

Financial review continued

Babou

Following the acquisition of Babou in October 2018, we have generated revenues of £129.1m and the business is progressing with the planned changes to the product mix and direct sourcing, as we move the business closer to the B&M format in the UK. One new store was opened in March 2019, taking the total store estate to 96. There are 5 new store units most of which had been committed to and were under negotiation before the acquisition. Those openings will be second half weighted. An additional £5.6m of EBITDA² was achieved under our ownership of Babou.

Financing costs

The net interest charge in the year was £15.7m (FY18: £12.2m) representing an increase of 28.9%.

The interest cost represents the underlying cost of £22.9m (FY18: £21.6m) which was an increase of 6.0% reflecting the impact of the additional borrowings undertaken to finance the acquisition of Babou. The underlying charge can be analysed between bank, high yield bond, finance lease interest and interest receivable of £21.0m (FY18: £20.1m) and amortised fees of £1.9m (FY18: £1.5m).

Interest income on an unadjusted basis amounted to £7.2m (FY18: £9.4m) and comprised a £8.1m revaluation in the put/call option relating to the 20% shareholding in Jawoll that is not owned by the Group (FY18: £8.0m) and a £0.9m expense relating to the accounting for the deferred consideration following the Heron Foods acquisition.

Profit before tax

The statutory profit before tax was £249.4m, which compares to £229.3m in FY18 for the 53 week statutory period in that year. We also report an adjusted profit before tax to allow investors to understand better the operating performance of the business (see note 3). The adjusted profit before tax² was £239.8m (FY18: £221.5m) which reflected a 8.3% increase.

Taxation

The tax charge in the year was £46.7m (£43.5m in FY18 for the 53 week statutory period) and the effective rate was 19.0%. We expect the tax rate going forward to reflect the mix of the impact of the tax rates in the countries in which we operate being 19% in the UK, 30% in Germany and 28% in France, with an effective rate of 20% in FY20.

As a Group we are committed to paying the right tax in the territories in which we operate. In the UK the total tax paid was £277.0m. This is mostly those taxes which are ultimately borne by the company amounting to £153.5m which includes corporation tax, customs duties, business rates, employers national insurance contributions and stamp duty and land taxes. The balance of £123.5m are taxes we collect from customers and employees on behalf of the UK Exchequer which includes Value Added Tax, Pay As You Earn and employee national insurance contributions.

Profit after tax and earnings per share

The profit after tax was £202.7m compared to £185.8m in FY18 and the fully diluted earnings per share was 20.5p (FY18: 18.6p for the 53 week statutory period), being an increase of 10.2%.

On an adjusted profit after tax basis², which we consider to be a better measure of performance due to the reasons outlined above, it was £194.6m which was a 9.5% increase over last year (FY18: £177.7m) and the adjusted fully diluted earnings per share² was 19.7p (FY18: 17.8p), being an increase of 10.7%.

Investing activities

There was a net cash outflow of £75.9m (net of cash acquired) following the acquisition of Babou in October 2018, this was financed by an additional loan facility.

The Group's net capital expenditure⁴ during the year was £105.7m, which was principally driven by the new store programme across the fascias, with a capital expenditure of £30.9m, £2.9m, £5.1m and £1.2m respectively in B&M, Heron Foods, Jawoll and Babou.

The Group continues to invest in its store estate and an additional £34.9m was incurred on maintenance expenditure. The overall maintenance expenditure represented 1.0% of revenues and included other in-store investments and IT investments.

Following the acquisition of the land in the UK in FY18 for the new UK distribution centre in Bedford in the South of the UK we have incurred a further £20.5m on the build costs of the facility. An additional £10.3m was incurred in acquiring 5 freehold retail properties. It remains the Groups intention to enter into a sale and leaseback of the facility in FY20.

Net debt and cash flow

As a Group we continue to be strongly cash generative and the cash flow from operations increased by 7.2% to £259.4m (FY18: £242.0m for the 53 week statutory period).

The cash generation reflects the continued growth in the Group's EBITDA² and the continued attractive cash paybacks from the new store opening programme, combined with the Group's working capital control.

During the year the Group paid £75.0m of dividends.

The Group's net debt⁶ in the year was increased to £621.6m (FY18: £535.3m) and the net debt⁶ to adjusted EBITDA² has increased to 1.99 times (FY18: 1.92 times). This remains comfortably within our 2.25 times leverage target, and excluding the costs incurred on the new Southern distribution centre, the leverage would have reduced to 1.75 times.

The Board adopted a long-term capital allocation policy in 2016 to provide a framework to help investors understand how the Group will continue to balance the funding requirements of a growth business like B&M with the desire to return surplus capital to shareholders. The Board will continue to evaluate opportunities to invest and support the growth of the business along with the scope for any incremental return of capital to shareholders in the context of that framework.

New accounting standards

The Group will adopt IFRS16, being the new accounting standard relating to leases, which will apply to the financial statements of the Group for the financial year 2019/20. The adoption of this new standard will have a significant impact on the statement of comprehensive income and the statement of financial position and there will be a presentational change on the statement of cash flows although there will be no change to the overall cash flow of the Group.

The new standard requires that all leases are recognised on the balance sheet with a lease liability equal to the discounted future payments expected to be made under the lease, and a right to use the asset which is initially equal to the lease liability. The rental payments will be accounted for as a repayment of the lease liability, which includes an implied interest element and the asset that has been recognised will be amortised on a straight line basis over the length of the lease.

The Group has decided to adopt the fully retrospective approach which means that we will restate the brought forward equity balance and we will recognise a lease liability in the region of £1.1bn and a right of use asset in the region of £1.0bn, with an adjustment to be made to retained earnings in the region of £60m. This is based on the duration of contracts and judgments we have made in relation to cases where the Group is reasonably certain that it will exercise any

contractual extension or break options, but not in relation to leases which have expired (including those where the Group continues to trade) where the Group has not concluded lease renewal terms.

In terms of the impact on the profit before tax and earnings per share ("EPS"), this is dependent upon the lease maturity profile of the Group. IFRS16 is dilutive at the commencement of a lease and accretive towards the end of a lease, with the interest charge being front-end loaded relative to the straight-line rental charge under IAS 17. Given the Group has a typically younger lease profile, we are therefore in the period when IFRS is dilutive and this is likely to remain the same whilst we continue to open new stores. The impact on the FY19 profit before tax would have been a reduction in the region of £14m, with the rental expense of £167m being replaced by an amortisation and interest charge in the region of £126m and £55m respectively.

As previously described there is no cash flow impact from the transition to IFRS16 and the adoption of this standard will have no impact on the way we commercially evaluate new store opportunities and lease renewals. Additional detail is contained in note 31 on pages 114 and 115.

There are two new accounting standards that apply to the Group in the financial year under review. IFRS 9 (Financial Instruments) introduced a new impairment model on expected loss and limited changes to the classification and measurements of financial assets. IFRS 15 (Revenue from Contracts with Customers) was in relation to some changes to the recognition of revenues. We have adopted both of these new standards and neither standard had any material impact in relation to the accounting of the Group.

Dividends

The Group has a dividend policy which targets a pay-out ratio of between 30 to 40% of net income on a normalised tax basis. The Group generally pays the interim and final dividends for each financial year approximately in proportions of one-third and two-thirds respectively of the total annual dividend.

The Group is strongly cash generative and its capital policy is to allocate cash surpluses in the following order of priority:

1. the roll-out of new stores with a strong payback profile;
2. ordinary dividend cover to shareholders;
3. mergers & acquisition opportunities; and
4. returns of surplus cash to shareholders.

The above list is a summary of the main items, but it is not an exhaustive list as other factors may arise from time to time which require investment to support the long-term growth objectives of the Group.

The parent company of the Group is an investment holding company which does not carry on retail commercial trading operations. Its distributable reserves are derived from intra-group dividends originating from its subsidiaries. As the parent company is a Luxembourg registered company the Board is permitted, subject to using distributable profits first, to have recourse to the company's share premium account as a distributable reserve. It remains the Group's policy though generally to have recourse to distributable profits from within the Group, and accordingly, ahead of interim dividends, and also ahead of the year end in relation to final dividends, the Board reviews the levels of dividend cover in the parent company to maintain sufficient levels of distributable profits in the parent company for each of those dividends. The Group's consolidated balance sheet position as at 30 March 2019 includes distributable profit reserves of £458m. The vast majority of these reserves have been generated by and are on the balance sheet of the principal trading subsidiary of the Group in the UK, B&M Retail Limited. There are intermediate holding companies in the Group structure between B&M Retail Limited and the Group's ultimate parent company, but those intermediate holding

companies do not carry on retail trading business operations and there are no dividend blocks of any material amounts in any year from expenses which those companies may incur.

The Board is satisfied that as the Group remains strongly cash generative it is in a very good position to fund and maintain its dividend policy. The principal risks of the Group and in particular those relating to competition, economic environment, commodity prices, supply chain, infrastructure and international expansion are relevant to the ability of the Group to maintain its dividend policy in the future. The Group however maintains strategies to mitigate those risks and the Board believes the Group has a robust and resilient business model through the combination of having a value-led product assortment which competes across a very broad section of the retail markets in our chosen locations.

In the last year the Group has continued to invest to support the growth of the business with particular highlights being the acquisition by the Group of Babou with an enterprise value of €91.2m and also the construction in Bedford of a 1 million sq ft Southern distribution centre.

When the construction phase of the Southern distribution centre has been completed, it is intended to release the cash investment made in that project back to the Group by a sale and leaseback of the distribution centre.

Notwithstanding those investments the Group has maintained its dividend this year at the higher end of its dividend policy. An interim dividend of 2.7p per share was paid in December 2018 and it is proposed to pay a final dividend of 4.9p per share⁵. Subject to approval of the dividend by shareholders at the AGM on 26 July 2019, the final dividend of 4.9p per share is to be paid on 2 August 2019 to shareholders on the register of the Company at the close of business on 21 June 2019. The ex-dividend date will be 20 June 2019.

Paul McDonald
Chief Financial Officer
22 May 2019

- 1 Constant currency comparison involves restating the prior year Euro revenues using the same exchange rate as used to translate the current year Euro revenues.
- 2 The Directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. EBITDA, Adjusted EBITDA and Adjusted Profit are non-IFRS measures and therefore we provide a reconciliation from the statement of comprehensive income. See the reconciliation of adjusted measures to statutory measures on page 21 for further details. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortisation. The figures presented in the strategic report are for the 52 weeks ended 30 March 2019, and unless otherwise stated, the comparable figures for previous year are for the 52 week period ended 24 March 2018 rather than the statutory reported 53 week period for that prior year.
- 3 Like-for-like revenues relate to the B&M estate only and include each store's revenue for that part of the current period that falls at least 14 months after it opened, compared with its revenue for the corresponding part of the previous period. This 14 month approach has been used as it excludes the two month halo period which new stores experience following opening.
- 4 Net capital expenditure includes the purchase of property, plant and equipment, intangible assets and proceeds of sale of any of those items.
- 5 Dividends are stated as gross amounts before deduction of Luxembourg withholding tax which is currently 15%.
- 6 Net debt comprises interest bearing loans and borrowings, overdrafts, cash/cash equivalents and finance leases excluding capitalised fees. See notes 18, 20 and 21 for more details.

Monitoring performance

The key performance indicators we use to monitor the performance of the Group and how we performed against them are as follows:

Financial

Total sales growth (%)¹

17.1%

2019	17.1
2018	22.4
2017	19.4

Strategic link



Description

Our strategy is to grow our business in new markets in the UK, Germany and France. This measure, together with the number of new store openings demonstrates our performance against that goal.

Performance

The business grew revenues by 17.1% and store numbers by 17.9% and our strategy remains on track.

Net capital expenditure (£m)^{2&3}

£105.7m

2019	105.7
2018	114.1
2017	50.4

Strategic link



Description

As our growth is mainly derived from investment in new stores, we monitor capital expenditure to ensure expenditure on investment in new stores is not excessive, but sufficient also to maintain our existing store estate.

Performance

We incurred £74.9m of capital expenditure, excluding £30.8m of the expenditure on the development of a new southern distribution centre and the acquisition of some freehold stores. The southern distribution centre and the freehold stores will ultimately be the subject of sale and lease-back transactions. Our capital expenditure was within our budget targets.

Adjusted EBITDA (£m)¹

£312.3m

2019	312.3
2018	279.0
2017	234.9

Strategic link



Description

In addition to growing sales, as we open new stores we want to ensure that the sales growth is profitable and we measure adjusted EBITDA.

Performance

The Group's adjusted EBITDA grew by +11.9%, and our strategy remains on track.

Adjusted EBITDA (%)¹

9.0%

2019	9.0
2018	9.4
2017	9.7

Strategic link



Description

To ensure we are not diluting our earnings as we expand our business, in addition to the cash adjusted EBITDA we also measure this as a percentage.

Performance

The Group's adjusted EBITDA reduced by 42 basis points.

Adjusted diluted earnings per share¹

19.7p

2019	19.7
2018	17.8
2017	14.9

Strategic link



Description

It is important to our investors to grow our earnings per share as well as our adjusted EBITDA, as it's a measure after we have taken account of depreciation, interest and tax charges.

Performance

The adjusted diluted earnings per share grew by 10.7%.

Cash generated from operations (£m)³

£259.4m

2019	259.4
2018	242.0
2017	210.9

Strategic link



Description

In addition to monitoring EBITDA growth, we are committed to continuing to be efficient in generating cash. We monitor this to ensure that we are actively managing our working capital and in particular our stock levels.

Performance

We grew our cash from operations by 7.2% in the year.

¹ The Directors consider adjusted figures to be more reflective of the underlying business performance of the Group and believe that this measure provides additional useful information for investors on the Group's performance. EBITDA, Adjusted EBITDA and Adjusted Profit are non-IFRS measures and therefore we provide a reconciliation from the statement of comprehensive income. See the reconciliation of adjusted measures to statutory measures on page 21 for further details. EBITDA represents profit on ordinary activities before net finance costs, taxation, depreciation and amortization. Unless otherwise stated the figures presented above have been compared with the 52 week period ended 24 March 2018 in the previous year rather than the statutory reported 53 week period in that prior year.

² Net capital expenditure includes the purchase of property, plant and equipment, intangible assets and proceeds of sale of any of those items.

³ Where items relate to 2018 they are for the 53 week statutory reporting period ended 31 March 2018.

⁴ Like-for-like revenues relates to the B&M estate only and includes each store's revenue for that part of the current period that falls at least 14 months after it opened; 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.

UK like-for-like sales growth (%)⁴**+0.7%**

2019	0.7
2018	4.7
2017	3.1

Strategic link



Description

The main driver of our growth is the new store opening programme. However at the same time we want to see sustained profitability from the existing store estate. The main indicator we use to ensure that the profitability of the existing store estate is sustained, is like-for-like sales.

Performance

We grew our UK like-for-like sales by +0.7%.

Profit before tax (£m)³**£249.4m**

2019	249.4
2018	229.3
2017	182.9

Strategic link



Description

Our overall profit before tax growth, in addition to using our EBITDA as a performance indicator, to monitor our depreciation, amortisation and interest expenses and charges.

Performance

We grew our profit before tax by 8.8%.

Non-financial

Net new stores opened

70

2019	70
2018	59
2017	57

Strategic link



Description

Our new stores opening programme is the main driver for growth across the Group.

Performance

We grew our B&M store estate in the UK by 44 stores, our Heron Foods store estate in the UK by 16 stores, and our Jawoll store estate in Germany by 10 stores in the year under review.

UK market share

c.1.0%

2019	c. 1.0
2018	c. 0.9
2017	c. 0.7

Strategic link



Description

Our market share of store based retail sales is relatively low in all our markets. This means there are lots of catchments where the public does not have easy access to stores, which provides us with opportunities for continued expansion.

Performance

In the UK alone we believe that a store target of 950 B&M fascia stores is achievable. We opened 44 net new B&M fascia stores in the year under review, giving a total estate of 620 stores for that fascia. We remain on track with our strategy under our new store opening programme.

Colleague Step-Up Programme

202

2019	202
2018	194

Strategic link



Description

Developing, training and promoting home grown talent in relation to the management of our stores, is an important measure of how we seek to address progression and colleague retention, and make our business an attractive place to work for existing colleagues and also new talent as we continue to open new stores. Our Step-Up programme includes training over an 8 month period for existing colleagues on a variety of aspects of store operational areas.

Performance

In the financial year under review, 202 existing colleagues were promoted from our Step-Up programme to Store Manager or Deputy Store Manager roles in the B&M fascia business in the UK.

Link to strategic initiatives



Deliver great value for our customers



Invest in new stores



Develop our international business



Invest in our people and infrastructure

Principal risks and uncertainties

Risk management approach

The following principal risks and uncertainties could have an impact on our business model and strategy. Mitigating steps aimed at managing and reducing those impacts are being employed by the Group as summarised below.

Risks and mitigations are reviewed as part of the oversight by the Audit & Risk Committee of the system of internal controls and reported on to the Board which takes overall responsibility for risk management.

The Internal Audit function of the Group reports on the effectiveness of internal control procedures to the Audit & Risk Committee as part of its annual internal audit plan, taking into account current business risks.

The Group's framework for managing its consideration of risk appetite forms part of the annual risk management cycle and is used to drive and inform actions undertaken in response to the principal risks identified by the Board. Within this framework, the Group's appetite for risk is defined with reference to the expectations of the Board for both commercial opportunity and internal control and it is used to inform the Group's annual internal audit plan.

Category of risk

Strategic
Financial
Operational
Compliance

Tolerance

Medium
Low to medium
Low
Extremely low

Risk management framework

The responsibility for identifying and evaluating new and emerging risks and mitigating actions lies with management. The Audit & Risk Committee, with the support of the Internal Audit department and the Group's General Counsel, is responsible for monitoring risks and mitigating actions and for reporting matters of concern to the Board.

The Board oversees the risk management of the Group. It evaluates the recommendations made by the Audit & Risk Committee and determines the framework of the type of controls and mitigating steps required to be implemented, in the context of how those risks could impact the overall objectives of the business and risk appetite.

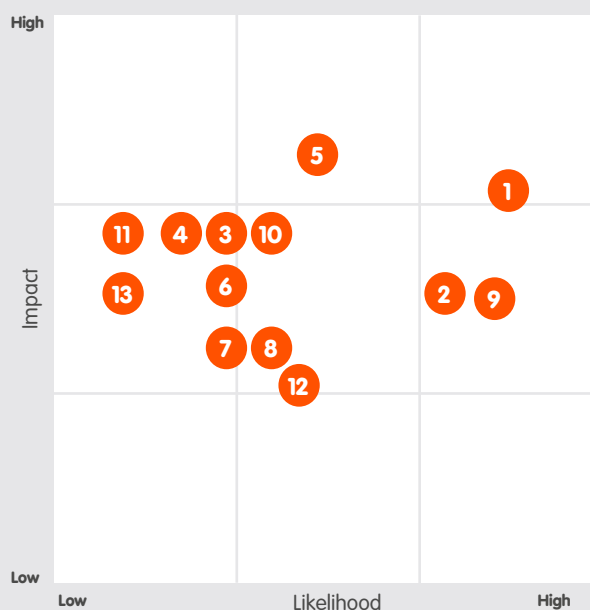
The responsibility for implementation of processes and controls in relation to the management of risk is delegated by the Board to the executive and operational senior management of the UK and German businesses.

The Internal Audit department reports on the progress of implementation by management of recommendations made to them, to the Audit & Risk Committee at each meeting during the year, being a continuous cycle of review.

Risk summary

There were no changes in B&M's principal risks during 2018/19. There are no new principal risks to note, and no existing principal risks have been removed. Movements in B&M's existing principal risks are detailed in the Principal Risks table opposite.

Movement of risks



See the table on pages 27 to 30 of Principal Risks behaviour for the corresponding numbered risks

Note: The impact and likelihood of the above risks is shown after the assessment of our risk mitigations included in the tables on pages 27 to 30.

Risk change key

↑ Increased risk ■ No change ↓ Decreased risk

Risk type	Risk N°	Description & potential impact	Risk mitigations	Change
Competition	1	The Group operates in highly competitive retail markets in the UK, Germany and France and this could materially impact the Group's profitability, share price and limit growth opportunities.	<ul style="list-style-type: none"> Continuous monitoring of competitor pricing and product offering. Development of new product ranges within the product categories to identify new market opportunities to target new customers. 	■
Economic environment	2	A reduction in consumer confidence could impact upon customer spending and subsequently revenue and profitability, as a result of the prevailing macro-economic conditions in the markets in which we operate.	<ul style="list-style-type: none"> We offer a range of products and price points for consumers which allows them to trade up and down. We maintain a low cost business model that allows us to maintain our selling prices as low as possible. We have an effective forecasting process that enables actions to be undertaken reflecting the economic conditions. 	■
Regulation and compliance	3	The Group is exposed to regulatory and legislative requirements, including those relating to the importation of goods, the Bribery Act, Modern Slavery Act, tax evasion, health & safety, employment law, General Data Protection Regulation ("GDPR"), the environment and the Listing Rules. The impact of failure to comply with regulations could lead to financial penalties and reputational damage.	<ul style="list-style-type: none"> We have a number of policies and codes across the business, including a code of conduct that incorporates an anti-bribery & corruption policy, outlining the mandatory requirements within the business. These are communicated to the staff via an employee handbook which is made available to anyone joining the company. Operational management are responsible for liaising with the Group's General Counsel and external advisors where required to ensure that we identify and manage compliance with any new legislation. We have an internal audit function, and a whistle-blowing procedure and policy which allows colleagues to confidentially report any concerns or inappropriate behaviour within the business. The Company has a Group-wide GDPR policy. As a result of the legal requirements of GDPR a number of key changes were implemented by the Group previously. They included changes in our privacy policies, a new process in relation to data subject rights requests, issuing privacy notices to all colleagues, updating the privacy notices for users of our websites and sending new consent requests to all pre-existing subscribers to our on-line mailing list. 	■

Principal risks and uncertainties continued

Risk type	Risk N°	Description & potential impact	Risk mitigations	Change
Warehouse Infrastructure	4	The Group could suffer the loss of one of its warehousing facilities which would impact short/medium term trading and could materially impact the profitability of the business. Failure to maintain and invest in the warehousing and transport infrastructure as the business continues to grow the store portfolio.	<ul style="list-style-type: none"> Forward plans are in place for additional warehousing capacity to support the new store opening programme. The Group in the UK has six separate warehousing locations and conducts disaster recovery planning. An additional warehouse is being built which will support expansion in the South of England. The warehouse is expected to be operational in January 2020. The Group maintains adequate business interruption and increased cost of working insurance in the event of such a loss. 	—
International expansion	5	The ability to develop into new territories is important to the Group's future growth plans. Expanding into new markets creates additional challenges and risks which could impact upon overall Group performance, growth and profitability. The ability to develop into new territories is important to the Group's future growth plans. Expanding into new markets creates additional challenges and risks which could impact upon overall Group performance, growth and profitability.	<ul style="list-style-type: none"> Significant international experience on the main Board. There are experienced senior leadership teams in Germany and France. Clear focus on markets in which we operate to ensure they are appropriate for value retailing and the product ranges are developed and selected by local buying teams along with access to the Group's supply chains. Continuing to invest in both the infrastructure and technology of our international subsidiaries. Monitoring and investigating potential new opportunities for growth in strategically identified locations. 	—
IT systems, cyber security and business continuity	6	The Group is reliant upon key IT systems, and disruption to these would adversely affect businesses operations including in warehouses and in stores. The potential impact of data protection failure is that it may lead to a potential prosecution and reputational damage to the brand. This risk also encompasses the IT Security risk of failing to protect the Group's systems and data from viruses, cyber threats and sabotage.	<ul style="list-style-type: none"> All critical business systems have third party maintenance contracts in place and are industry standard. We utilise the services of a third party IT consultancy support to ensure that any investments made in technology are fit for purpose; IT investments/ budgets are approved at Board level. We have a disaster recovery strategy. We have an on-going PCI compliance strategy. IT Security is monitored at Board level and includes penetration testing and up to date security software. Significant decisions for the business are made by the Group or operational boards with segregation of duties enforced on key business processes, such as the payables process, and a robust IT control environment is in place. 	—
Credit risk and liquidity	7	The Group's level of indebtedness and exposure to interest rate and currency rate volatility could impact the business and its growth plans.	<ul style="list-style-type: none"> A treasury policy is in place to govern foreign exchange, interest rate exposure and surplus cash. Regular weekly cash flow forecasts are produced and monitored. Forward looking cash flow forecasts and covenant testing forecasts are prepared to ensure sufficient liquidity and covenant headroom exists. 	—

Risk type	Risk N°	Description & potential impact	Risk mitigations	Change
Commodity prices/cost inflation	8	Escalation of costs within the supply chain arising from factors such as increases in raw material and wage costs. Additionally, increased fuel and energy costs could impact upon distribution and the store and warehouse overhead base.	<ul style="list-style-type: none"> Freight rates, energy and currency are bought forward to mitigate volatility and allow the business to plan and maintain margins. Wage increases are offset where possible by productivity improvements. Forecasts and projections produced by the business include the expected impact of the national living wage and therefore the Board's strategic planning takes account of these effects. 	—
European Union Exit	9	<p>The UK's planned exit from the European Union has several potential impacts in the areas of economic and regulatory environment; withholding tax paid on internal dividends; import of goods due to currency exchange volatility and increased import duties; availability & cost of labour; and several potentially as yet unknown impacts.</p> <p>This risk has increased due to (i) the approaching EU departure date and the potential short-term impacts resulting from this on the business, and (ii) in relation to the continued uncertainty of whether the UK leaves the EU with a transitional deal or not.</p>	<ul style="list-style-type: none"> B&M believes the impact of the UK's decision to leave the EU on the underlying performance of the Group will be limited. During the period of consumer uncertainty and economic downturn in 2008 B&M's business performed well. Short-term exchange rate volatility is mitigated by our currency forward position. Any continued volatility will affect the economic inflationary environment as a whole. B&M imports the majority of its general merchandise stock into the Port of Liverpool, as opposed to Southern ports which could be more heavily impacted. The Board will continue to monitor developments and understand the interpretations with respect to potential risks, and then act accordingly. The Board and management will maintain professional contacts in order to assist with this process. 	↑
Key management reliance	10	<p>The Group is reliant on the high quality and ethos of the executive team as well as strong management and operational teams. There is a risk that a lack of succession planning for staff leavers will impact on organisational performance and delivery.</p> <p>This risk ranking has increased in risk number due to the decreasing significance to the business of the risk relating to stock management.</p>	<ul style="list-style-type: none"> The key senior and operational management are appropriately incentivised through bonus and share arrangements such that talent is retained. The composition of the executive team is kept under constant review to ensure that it is appropriate to the delivery of the Group's plans. The Nomination Committee develops succession plans for the Board of Directors and key management positions. It also reviews the wider senior management needs of the Group with a view to ensuring the ability of the Group to compete effectively. 	↑
Supply chain	11	<p>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 arising from civil unrest, natural disasters, ethical or quality standards failure may impact upon brand reputation as there is a risk that consumers may be harmed.</p> <p>The nature of the risk is significant as the Group as a whole imports general merchandise from the B&M Far East supply chain. It has decreased in ranking (but not significance) due to the Brexit and key management reliance risks having increased in ranking.</p>	<ul style="list-style-type: none"> An experienced sourcing team is responsible for maintaining an efficient and effective supply chain. A range of alternative supply sources are maintained across the product categories and we are not over-reliant on any single supplier. The Group has anti-bribery and corruption and anti-modern slavery policies in place in relation to its supply chain. A combination of individual buyers and supplier employees conduct factory visits. 	↓

Risk change key

↑ Increased risk — No change ↓ Decreased risk

Principal risks and uncertainties continued

Risk type	Risk N°	Description & potential impact	Risk mitigations	Change
Store expansion	12	The ability to identify suitably profitable new store locations is key to delivering our growth plans. Failure to identify suitable locations in areas targeted for new stores could impact upon store expansion plans and reduce the rate of growth in the business.	<ul style="list-style-type: none"> Our CEO actively monitors the availability of retail space with the support of internal and external property acquisition consultants. The flexibility of the trading format allows us to take advantage of a range of store sizes and locations. Each new store opening is approved by the CEO ensuring that property risks are minimised and that lease lengths are appropriate. Where new locations may impact on existing locations, the cannibalisation effects are estimated and then monitored and measured to ensure an overall benefit to the Group is realised. 	—
Stock management	13	<p>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 cash flows.</p> <p>This risk ranking has decreased in risk number due to the lower likelihood of this risk occurring due to the effectiveness of the risk mitigations in place.</p>	<ul style="list-style-type: none"> Highly disciplined SKU count by season and effective and regular markdown action on slow moving product lines. Initial stock orders do not exceed c. 14 weeks of forecast sales and action is undertaken after c. 4 weeks of trading to either repeat the order, refresh the product design or delete the product line. Consistent levels of stock cover by product category are maintained through regular reviews of open to buy, supported by the disciplined SKU count. 	↓

Risk change key

↑ Increased risk — No change ↓ Decreased risk

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group. This assessment has been based upon the Group's three year strategic plan (the "plan") and has taken into account the current position of the Group, the principal risks and uncertainties as detailed on pages 27 to 30 of the strategic report and the Group's prospects.

We operate in a competitive retail environment and need to be able to react to changes in retail markets and consumer trends. Accordingly we set our strategic plan on a three-year cycle, which is also common in the retail industry.

In making their assessment the Directors considered:

- the Group's current balance sheet, its strong track record of generating operational cash flows and returns to shareholders and stress testing of the key trading assumptions within the Group's plan;
- the potential impact of one or more of the principal risks set out on pages 27 to 30 occurring in the period on the Group's business model, future trading expectations and liquidity;
- the likely degree and effectiveness of possible mitigating actions in relation to the principal risks;
- the Group's plan following its acquisition of Babou;
- the Group's longer term distribution infrastructure plan; and
- the Group's debt facilities of £450m in relation to the term loan and revolving credit facility which mature in August 2021, and the high yield bond of £250m which matures in February 2022. Based on discussions with lenders, the Directors have no reason to believe that the Group would not be able to refinance this debt on acceptable terms.

The stress testing undertaken included the flexing of a number of key assumptions within the three year plan, namely future revenue growth, including both like-for-like revenues and revenues from the new store openings, gross margins, operating costs, the impact of interest rates and working capital management, which may be impacted by one or more of the principal risks to the Group.

A number of challenging but plausible scenarios which aggregated these individual assumptions were reviewed by the Board. They included a review of the impact of the following scenarios:

- a decline of 15% per annum of like-for-like annual sales in the Group's main UK trading business, B&M, as a result of competition or changes in consumer buying patterns;
- a decline of 33 basis points per annum in the gross margin of the Group's main UK trading business, B&M, due to higher costs of imported goods from commodity price increases, increases in import duties and adverse currency exchange rate movements; and
- a marked deterioration in working capital creating significant pressure on liquidity, due to ineffective controls on stock.

The Board considered the mitigating steps which they would take to protect the Group in the event of any of those scenario's arising, and determined that the following measures would be necessary to protect its cash flow and liquidity:

- the temporary suspension of interim and final dividend payments, to use that cash for the on-going trading operations of the Group;
- limiting capital expenditure to essential maintenance only, to assist with liquidity;
- suspension of the new store openings programme; and
- seeking additional borrowing facilities in the short term to alleviate any immediate pressure on liquidity where prudent to do so.

Each of the above scenario's exceed the impacts of principal risks which the Group has encountered in its trading experience to date. Based on the assessment, stress testing and mitigating actions referred to above, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years to 30 March 2022.

Going concern statement

As a value retailer, the Group is well placed to withstand volatility within the economic environment. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will trade within its current banking facilities. The Group is intending to enter into a sale and leaseback of its new Southern Distribution Centre notwithstanding that, included within these assumptions are the Group's ability to extend the loan facility of €100m in relation to the acquisition of Babou in October 2019 for a further 12 months if required. After making enquiries, the Directors are confident that the Group has adequate resources to continue its successful growth. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Operating our business responsibly

We want to be a valued part of the local communities we serve, through our job creation, our value pricing approach, and the fun and exciting shopping experience which we strive to provide to our customers.

People

Colleagues

- Our policy in relation to our colleagues is to:
- provide equality of opportunity in relation to recruitment and promotion;
 - provide modern, safe and clean working environments for them at our stores, distribution centres and in our transport operations; and
 - ensure that our colleagues are treated with dignity and respect.

See further on page 33 below in relation to diversity and equality.

We have a number of detailed policies relating to our terms and conditions of employment and on workplace matters to provide appropriate safeguards and practices for the benefit of all our colleagues in our working environments and for compliance with legislation.

The outcome and impact of our policies and activities in the year, in relation to opportunities for new colleagues to join the Group, how our colleague base has grown during the year under review and promotions which we have made to management positions at our stores, are set out below.

Our Group now employs over 33,700 people across our four businesses. The vast majority of colleagues are based in the UK in our B&M stores business. We have created over 800 new jobs alone in B&M in the UK in financial year under review.

We have a policy of developing our own talent from within our own business wherever we can for promotions within our stores. See further below in relation to the promotions made this year. We also reward our store management teams through an annual bonus scheme, and we also run regular incentive schemes to drive performance and also to engage with the teams by rewarding them for high performance. B&M also has a share incentive plan which is open to all B&M UK employees after 12 months service to take up the opportunity to participate in the future success of B&M.

Number of employees across the Group

over 33,700

Through our own e-based portal ("Hub") we provide engagement for our Regional and Area Managers with our central operations team. This gives them instant information updates through smart tablets distributed by B&M, on a range of business, operational and workplace engagement matters. We also provide information to our stores through the Hub with an on-line weekly update, the "B&M Digest", on operational matters helping them plan for the week ahead and keeping them up to date with latest developments, promotions and events at stores.

Colleague development

We offer our store colleagues the opportunity to progress and develop their careers with B&M.

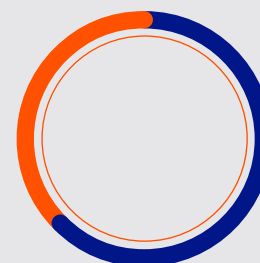
The key elements of this approach are:

- identifying talented colleagues within our store operations teams and including them in our store promotion development programme; and
- giving participating colleagues under our Step-Up Programme, training over an 8 month period on various aspects of our store operations, including store standards, merchandising, productivity and how to manage store teams effectively.

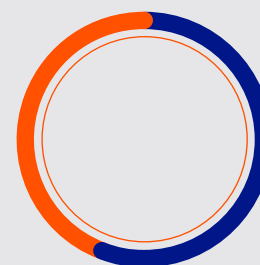


Gender diversity

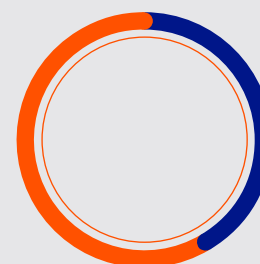
Board of Directors



Senior managers



All employees



Customer transactions at our B&M UK stores this year

229.6m

In the financial year under review 202 (2018: 194) colleagues were promoted to either store manager or deputy manager positions with B&M in the UK. We are proud of those colleagues and continue to be pleased with the success of the programme and all of the work which goes into it every year.

This provides colleagues with a great opportunity to grow and flourish. At the same time our business is enhanced, with our culture and values being maintained through the continuity that brings.

Diversity and equality

The Diversity Policy of the Company in relation to the Board and senior management positions is:

- to ensure as an overall objective that the Company maintains the necessary skills, experience and independence of character and judgement of its members, for the Group to be managed effectively for its long-term success;
- while making appointments based on merit so the best candidates are appointed, recognising the value which a diverse Board brings to the business and embracing diversity in relation to gender, race, age, educational and professional backgrounds;
- together with the above criteria recognising also that, diversity in relation to international experience (in particular in relation to the Group's chosen markets), recent senior management or professional experience in retail and/or supply chain sectors and functional experiences in relation to membership and chairmanship of Board committees, are also relevant factors.

Specifically in relation to gender diversity and the implementation of the Diversity Policy in the year under review, at the year end the Board had 37.5% female representation, with three out of the eight Board members being female.

One of the female Board members also chairs the Remuneration Committee, being one of the three main Committees of the Board. Full details of the composition of B&M's Board are set out on pages 38 and 39.


In relation to ethnic diversity and the Parker Review recommendations, the Company already complies with it in relation to Board representation.

The first level of senior management directly below the Board does not currently have any female representation, but it remains the Board's intention within the framework of the diversity criteria in its policy to see that there is a greater mix at that level by 2020.

At a senior management level generally overall across the Group the percentage of employees who are female was 43.9% in the year under review.

In relation to all employees of the Group, the female percentage of colleagues was 58.6% in the year under review.

In relation to diversity also, our equal opportunities policies in relation to our workforce are designed to recognise and actively encourage the benefit of having a diverse workforce across our business. We look to ensure that all colleagues are treated fairly and with respect, that no employee is discriminated against on grounds of gender, race, colour, religion, disability, sexual orientation. Our overall aim is to ensure that B&M is recognised as a responsible employer providing all colleagues with a great place to work.

 See principal risk number 10 on page 29.

Workforce engagement

The new Corporate Governance Code 2018 will apply to the Company in the financial year in 2019/20. We have already taken steps in preparation for it by appointing one of our Non-Executive Directors, Carolyn Bradley, to be a Designated Non-Executive Director for Workforce Engagement.

The main UK business of the Group, B&M, already has a number of workforce engagement mechanisms in place including, Store Manager and Deputy Manager colleague surveys, Transport and Distribution Centre manager colleague surveys, and office retail operations and buying group meetings which are held throughout the year led by the senior executive management team. In response to those activities senior management evaluate feedback and questions and devise actions to be undertaken which in turn are communicated back to the relevant groups of colleagues.

It is proposed to build further on those mechanisms in the year ahead. The colleague engagement surveys with Store Managers and Deputy Store Managers, Transport and Distribution Managers and Head Office colleagues in the business teams, will also include satisfaction ratings to provide a more detailed analysis of the feedback given by colleagues.

These mechanisms will be reviewed along with other existing mechanisms throughout the year to create a broader and deeper process overall. The implementation of these processes will be supported by the Head of Learning and Development at B&M and the Executive Management team.

The Designated Non-Executive Director for Workforce Engagement will oversee the effectiveness of our workforce engagement mechanisms and will report to the Board on the outputs from the engagement processes with colleagues, during the course of the year.

Social

Social and community engagement

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 have formal policies in place in relation to anti-bribery and corruption, anti-slavery policy statements on our websites, a workplace policy which suppliers are required to adhere to in relation to anti-slavery and respect for human rights, and whistle-blowing policies in relation to reporting of any suspected wrong doing or malpractice.

The approach of our policy on social and community engagement and the impact of that in relation to the communities we operate in and our customers, suppliers and respect for human rights in our supply chains, is described in each of the following sections below.

Communities

We are proud to support the communities where we trade, by providing job opportunities and enabling household budgets to go that bit further through our value pricing business model. This helps us to build sustainable relationships within communities where we operate our stores, and importantly where our customers and store colleagues live and work.

When we open a new store, we try where we can 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 they do in their local community, and we actively encourage our store managers to maintain their local hero relationship going forward.

With our continued store expansion programme for the year ahead, we will continue to create jobs in yet more communities where those new store openings take place. This is against an environment more generally in the UK where a number of retailers have down-sized their store estates or exited the market altogether. We believe that our store

expansion programme has and will continue to contribute towards the well-being and rejuvenation of communities through new job opportunities and the value we give to customers at our stores in or close to the communities where they live.

In relation to jobs at stores, and also in our Distribution Centres, we have had a successful initiative over a number of years in the UK which is focused on helping long-term unemployed back into work. In the year under review, another 250 long-term unemployed people secured a role with B&M (FY18: 175).

Again in this last year at a regional and national level we were proud sponsors of Mission Christmas, an initiative run by Cash4Kids, a children's charity providing Christmas presents to underprivileged children at Christmas time in the UK. 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.

We work hard to be a valued part of the local communities we serve, through our job creation, our value pricing approach, and the fun and exciting shopping experience which we strive to provide to our customers.

Gender pay gap reporting

In accordance with the Equality Act (Gender Pay Gap Information) Regulations we have published our data online in relation to B&M and Heron Foods as at 5 April 2018.

With regard to hourly pay of B&M the mean hourly rate for females is 7.9% lower than males and the median hourly rate is the same for females and males. For Heron Foods the mean hourly rate for females is 22.1% lower than males and the median hourly rate for females is 11.2% lower than males.

In relation to bonuses of B&M, 5.1% of females and 17.9% of males were paid a bonus. The mean bonus pay for females was 53.5% lower than males and the median bonus pay for females was 62.9% lower than males. For Heron Foods, 3.6% of females and 26.8% of males were paid a bonus. The mean bonus pay for females was 1.4% lower than males and the median bonus pay for females was 17.8% higher than males.

Full details of the reports are available on our websites at www.bandmretail.com and www.heronfoods.com and on gender-pay-gap.service.gov.uk

Colleagues of the Group in Germany, France and Luxembourg are not included in this data.

Customers

We help our customers get better value for money on everyday and other items for their homes and families, which helps tight household budgets go further.

We take pride in working hard to provide a high-quality customer experience for shoppers across the stores in each of our businesses in the UK, Germany and France. We invest in our stores to present them in a light, clean and tidy format, with new store fit-outs and refurbishments including investments in LED lighting and refreshed floor coverings. This has environmental benefits and it provides modern, attractive and clean store environments for customers to enjoy their shopping experience at our stores.

We also like to provide customers with a fun and exciting shopping experience, led also by promotional events at our stores. Throughout the year we have had a series of focused promotional events in the UK on categories such as cleaning and home care, homewares and pet care products. Each of those events are aimed at giving even better promotional value prices to customers while they are running in our stores.

Our store colleagues are trained to be focused on taking a helpful and friendly approach with customers, so that our customers enjoy coming back to our stores time and time again.

Our no quibble customer returns policy also highlights our emphasis on wanting to give great value for money and good quality products to our customers to enjoy.

Health and safety

The Board has overall responsibility for ensuring that we maintain high standards of health and safety in our business. The Board and the executive management monitor on a monthly basis key performance indicators in relation to trends in the business, including reports on the number of accidents and those which are required to be reported to the Health and Safety Executive.

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

Our store management teams are trained as responsible persons under our health and safety policy for stores. There is a continuous programme of training new recruits and refresher training for existing store management colleagues.

The health and safety policy for our stores is also supplemented by documented risk assessments and safe system of working procedures for colleagues to follow, with pictograms to make them user friendly and combat language or learning barriers.

Every store based colleague receives induction pack training from a member of the store management team on health and safety, manual handling, fire safety, how to mitigate against risks and hazards and procedures for the safe use of store equipment. The training is carried out on the recruitment of each new colleague with reviews (and refreshers as required) being carried out at intervals during the next 12 weeks thereafter.

In the financial year 2018/19 for the UK in B&M there were 112 reported accidents (0.2 per store) reportable to the Health & Safety Executive (FY18: 207 reported accidents and 0.4 per store), in the context of 229 million shopper visits per annum.

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. Provided the goods meet relevant quality and safety standards, we will pay the supplier within the agreed payment terms. 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 also 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 B&M and Heron Foods have continued to communicate their Workplace Policies to existing and new suppliers along with their standard terms and conditions of purchase, which make it a condition that suppliers adhere to the Workplace Policy standards.

Jawoll has also provided its Workplace Policy to suppliers, which are set out together in both English and German language formats.

A copy of B&M's Anti-Slavery Statement and Workplace Policy is available on our websites at www.bmstores.co.uk and www.bandmretail.com and for Heron Foods at www.heronfoods.com.

In relation to the Group's assessment of risk, a balance is drawn between reasonable reliance on leading household brand name suppliers who have their own comprehensive procedures and policies in place, and, those where other forms of verification processes are required by our Group businesses or our sourcing agent.

Heron Foods convenience food product lines are sourced from leading brand suppliers. A small number of foods are sourced direct from produce suppliers. These are from a limited number of major suppliers who operate highly mechanised businesses which are non-labour intensive.

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 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 new suppliers also as part of our verification processes.

A number of Jawoll's suppliers are European based suppliers and wholesalers. Where Jawoll source and import products themselves directly from China they have continued increasingly to use the same suppliers and sourcing agents of B&M, which is part of an on-going integration and change-over of Jawoll's procurement by sourcing products from B&M's supply chain. This provides Jawoll with the benefit of checks and verification processes of B&M and its sourcing agent on a Group basis.

Heron Foods sell a limited number of products imported from China. They are all procured from the B&M supply chain and therefore benefit also from checks and verification processes of B&M and its sourcing agent on a Group basis.

Our Internal Audit function in the UK carried out a review and audit of our supply chain and procurement in the financial year 2015/16, including checks on social compliance procedures with suppliers and sourcing agent and sampling those reports, as part of a due diligence exercise which they undertook in Hong Kong on our sourcing agent. A similar exercise was carried out by our Internal Audit function in Hong Kong again this financial year. That process included:

- a review of the vetting and verification processes of our sourcing agent in relation to new suppliers in China and Asia; and
- a review of verification processes in relation to existing suppliers on an on-going basis.

Within those processes for both new and existing suppliers, they are required to produce their current social compliance audit reports carried out by external specialists in the field. Those external specialists are generally internationally recognised inspection, verification, testing and certification companies. On an on-going basis before the expiration of the term of any social compliance audit reports, the sourcing agent timetables and obtains the new audit reports, as part of its continuing verification processes of approved suppliers.

Social continued

As a result of the due diligence carried out by our Internal Audit function in relation to the sourcing agent, they were satisfied that effective processes are in place and continue to be operated by the sourcing agent to ensure that the risk of any modern slavery issues in our supply chain do not arise.

Within the whistle-blowing reports of B&M and Heron Foods in the UK in relation to the year under review, no reports have been made of any instances of actual or suspected modern slavery or human rights abuses relating to human trafficking or other kinds of forced labour in our supply chain.

In the event of any suspected failure by a supplier to comply with our Workplace Policy, we will then investigate the circumstances of it with the supplier. In the event of a breach of our policy being identified as a result of such an investigation, we will review what appropriate remedial action we would require the supplier to undertake and also determine on a case by case basis whether our trading relationship with that supplier should be monitored, suspended or terminated.

We continue to strive to find effective ways of improving communication and adherence to ethical business practices and assessment of risks and always welcome feedback from all stakeholders in relation to our business. Our policies, procedures and approach to verification processes are geared toward what we think are balanced and reasonable, practical and effective.

Anti-bribery and corruption

In relation to anti-bribery and corruption, our policy is also one of zero tolerance. Our colleagues are aware of the importance of reporting any offers of inducements by any third parties, in each of our businesses immediately up to Director level.

Each year an annual review is also undertaken of our buying teams in the UK and Germany requiring written reports to be completed of any suspected or actual incident of bribery or corruption between any third party and the business, including returns being required to confirm that no instances have arisen. That due diligence disclosed no instances in our businesses for the year under review of any such activity having taken place or having been suspected.

From the whistle-blowing procedures and processes in place at B&M and Heron Foods, in the year under review no reports were made of any instances of bribery or corruption in relation to any employees with any third parties. Jawoll is in the process of implementing whistle blowing processes, but there were no suspected instances of bribery or corruption in the year under review.

See principal risk numbers 3 and 11 on pages 27 and 29.

Environment

Environmental sustainability

Our Environmental policy is to operate and maintain a modern, clean and efficient infrastructure in relation to stores, Distribution Centres and transport fleet for the benefit of all of our customers and colleagues in the UK, Germany and France as part of our commitment to providing a sustainable environment in the communities we operate in and our workplaces. We also look continuously for opportunities to reduce or minimise our waste and consumption where we can, in particular in areas of scale in our operations where we can make an impact. For example, we seek to do this with packaging waste recycling, our continued programme of introducing LED lighting into stores and the upgrading of our transport fleet. The impacts of our policy are set out below.

Recycling

We have dedicated waste management facilities at our B&M warehousing locations in the UK. This allows us to collect waste cardboard, plastic, metal and wood from our stores in the UK to take it back to our central distribution locations for sorting in readiness for recycling.

The main source of waste comes from packaging. We seek with our suppliers to minimise the packaging of products beyond what is necessary for the safe carriage of them, where we can.

Packaging waste recycled by the Group in 2019

99.5%

2018: 99.4%



Again this year 100% of our packaging waste in the UK was recycled, through a combination of waste being sorted through our own facilities and by specialist third party contractors. Any residual waste left over is recycled into energy production.

Overall the total level of packaging waste recycled by the whole Group in the financial year 2018/19 was 99.5%.

Babou has not been included in any of the environmental statistics in this report as they have only been part of the Group since October 2018. With the reporting protocols which are being set up by us, Babou will be included in our report for the next financial year.

Greenhouse gas emissions

In the year around 67% of our carbon footprint in relation to the UK operations of B&M is as a result of our electricity and gas usage from our stores and our warehouse facilities. Diesel accounts for the remaining 33%. Our store estates across the Group are continuing to increase at a significant rate and they are expected to continue to do so in the foreseeable future also. Consequently our overall carbon footprint has and will inevitably continue to increase.

Heron Foods has been included in our data for the first time in FY19. Heron Foods intensity ratio is higher than B&M in the UK principally due to its frozen food operations and freezer equipment.

We express our annual emissions as a quantifiable factor by reference to our revenues as the basis for our intensity ratio.

Greenhouse gas data

FY19 relates to the period from April 2018 to March 2019 and FY18 relates to the period from April 2017 to March 2018:

Main: Tonnes of CO₂e

	2018/19				2017/18 ¹			
	B&M (UK)	Jawoll	Heron	Total	B&M	Jawoll	Heron	Total
Scope 1	30,913	768	8,971	40,652	25,035	712	n/a	25,747
Scope 2	62,275	4,300	15,272	81,847	69,878	7,681	n/a	77,559
Total	93,188	5,068	24,243	122,499	94,913	8,393	n/a	103,306

Intensity Ratio: TCO₂e/£m Revenue

Intensity	2018/19				2017/18 ¹			
	B&M (UK)	Jawoll	Heron	TOTAL	B&M (UK)	Jawoll	Heron	TOTAL
T/£m	11.08	3.60	25.34	12.11	9.56	3.56	n/a	9.13
	22.33	20.13	43.13	24.38	26.68	38.41	n/a	27.51
	33.41	23.72	68.47	36.49	36.24	41.96	n/a	36.65

¹ The 2017/18 figures in the table above have been restated to correct an error in the reporting of the Scope 2 electricity and gas consumption of the Jawoll business in Germany, which had been overstated last year.

Scope 1 GHG emissions have been calculated based upon the quantities of fuel purchased for our commercial fleet, and Scope 2 GHG emissions are calculated from electricity and gas usage and then using the published factors.

The intensity ratio for the Group overall has remained at a similar level to the prior year. This was due to improvements made in B&M in the UK and Jawoll in Germany, but it was offset by the inclusion of Heron Foods for the first time this year.

As we acquired Babou in October 2018, our UK emissions data does not include Babou in the financial year ended 30 March 2019, but it will be included in our reporting in the next financial year.

See principal risk numbers 3 and 12 on pages 27 and 30.

Carrier bags

We have continued to see an overall reduction of carrier bag usage across our UK stores following the 5p carrier bag levy which was introduced in England and Wales in October 2015.

We donate the proceeds from the levy in relation to the carrier bags used to a number of good causes. Colleagues across the UK business were consulted on appropriate recipients of charitable grants from the levy proceeds. In the financial year 2018/19 we have donated around £430,000 to a range of charities, including children's hospitals, air ambulances and a range of other health charities in the UK.

Initiatives

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 B&M 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 less than 2 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.

Board of Directors

The Board of Directors of B&M European Value Retail S.A.



Peter Bamford
Non-Executive Chairman of the Board and Chairman of the Nomination Committee

Appointment: March 2018

Peter joined the Board of B&M as Non-Executive Chairman on 1 March 2018. He has extensive experience, in both executive and Non-Executive roles, of the retail sector and high growth international businesses and brands. He is also a seasoned PLC Director and chairman having served on PLC boards for over 22 years in a variety of roles. In his non-executive career this has included Chairman of Superdry plc, Deputy Chairman and Senior Independent Director of Spire Healthcare plc and Non-Executive Director at Rentokil-Initial plc. In his executive career he was a Director of Vodafone Group Plc from 1998 to 2006 where he held senior executive roles, including Chief Marketing Officer and Chief Executive of Vodafone NEMEA region. Prior to that he held a number of board and senior executive positions with leading retailers including WH Smith, Tesco and Kingfisher. Peter is also the Chairman of the Nomination Committee of B&M.

Committee membership:

NOM

Simon Arora
Chief Executive Officer

Appointment: Dec 2004

Simon has been Chief Executive Officer of the B&M Group since 1 December 2004. He has a background in consumer goods, corporate finance and consulting having been a co-founder and Managing Director of wholesale homeware business, Orient Sourcing Services, before acquiring B&M jointly with his family and prior to that holding various positions with McKinsey & Co., 3i and Barclays Bank. Simon is also a member of the Nomination Committee of B&M.

Committee membership:

NOM

Paul McDonald
Chief Financial Officer

Appointment: May 2011

Paul is a chartered certified accountant and has over 20 years' experience in value and discount retailing. He joined the B&M Group as Chief Financial Officer on 3 May 2011. He has held senior financial management roles at Littlewoods, Ethel Austin and TJ Hughes and carries with him a depth of experience and skills in financial management and business operations in this sector.

Committee membership:

—

Kathleen Guion
Independent Non-Executive Director and Chair of the Remuneration Committee

Appointment: May 2014

Kathleen's experience in the retail sector spans more than 40 years, during which time she has held senior executive management positions in retail operations in United States retail chains involved in rolling-out large expansion programmes. She was division president and executive vice president of Dollar General Corporation from 2003 to 2011, and held senior positions in E-Z Serve Corporation, 7-Eleven Corporation, Duke and Long Distributing and Devon Partners. Kathleen chairs the Remuneration Committee and is a member of the Nomination Committee of B&M.

External appointments

She is currently a Non-Executive Director and member of the Audit Committee and Remuneration Committee of FJ Management Inc in the US.

Committee membership:

REM NOM

Ron McMillan
Senior Independent Non-Executive Director and Chairman of the Audit & Risk Committee

Appointment: May 2014

Until 2013 Ron worked in PwC's assurance business for 38 years and has deep knowledge and experience in relation to auditing, financial reporting, regulatory issues and governance. He was the Global Finance Partner and Northern Regional Chairman of PwC in the UK and Deputy Chairman of PwC in the Middle East and acted as the audit engagement leader to a number of major listed companies. Ron is the Senior Independent Director of B&M. He also chairs the Audit & Risk Committee and is a member of the Remuneration and Nomination Committees of B&M.

External appointments

He is the Senior Independent Director and Audit Committee Chairman of N Brown Group PLC and SCS PLC and Chairman of the Audit Committee of HomeServe plc.

Committee membership:

A&R REM NOM



Tiffany Hall
Independent
Non-Executive Director

Appointment: September 2018

Tiffany's experience is in marketing, sales and customer services. She previously served as CEO of BUPA Home Healthcare, Marketing Director at BUPA, Head of Marketing at British Airways and also Chair of Airmiles and BA Holidays. Prior to that, she held various other senior positions at British Airways including Head of UK Sales and Marketing. She is a member of the Remuneration Committee and the Nomination Committee of B&M.

External appointments

She is currently the Senior Independent Director and Chair of the Remuneration Committee of Howden Joinery Group Plc.

Committee membership:

REM NOM

Carolyn Bradley
Independent
Non-Executive Director

Appointment: November 2018

Carolyn has an experienced retail and consumer business background. She worked for Tesco for over 25 years until 2013. During that time she held a number of senior positions, including Chief Operating Officer of Tesco.com, Commercial Director for Tesco Stores, Tesco Marketing Director (UK) and Group Brand Director. Carolyn is a member of the Audit & Risk Committee and the Nomination Committee of B&M.

External appointments

She is currently the Senior Independent Director of Marston's PLC and also SSP Group plc, and a Non-Executive Director of The Mentoring Foundation and Majid Al Futtaim Retail LLC, and a Trustee and Deputy Chair of Cancer Research UK.

Committee membership:

A&R NOM

Incoming member

Gilles Petit
Independent
Non-Executive Director

Appointment: May 2019

Gilles Petit has many years of senior management experience in multinational retail businesses in Europe. He previously served as CEO of the hypermarkets division of Promodès and then as CEO of Carrefour in Belgium, Spain and subsequently France. He also served as the CEO of Elior until 2015 and then as CEO of Maisons du Monde until 2018.

External appointments

He is currently a Non-Executive Director of Maisons du Monde.

Committee membership:

A&R NOM

Committee membership:

A&R	Audit & Risk
REM	Remuneration
NOM	Nomination
Chair	Committee Chair

Outgoing members

Thomas Hübner
Senior Independent
Non-Executive Director

Appointment: May 2014
Retirement: May 2019

Since the time of the IPO of the Company in June 2014 until his retirement from the Board in May 2019, Thomas was the Senior Independent Non-Executive Director of B&M. He was also a member of the Audit & Risk and Nomination Committees of B&M during his time as a member of the Board.

Harry Brouwer
Independent Non-Executive
Director

Appointment: May 2014
Retirement: Nov 2018

Since the time of the IPO of the Company in June 2014 until his retirement from the Board in November 2018, Harry Brouwer was a Non-Executive Director of B&M. He was also a member of the Audit & Risk, Remuneration and Nomination Committees of B&M during his time as a member of the Board.

Corporate governance report

“Our corporate governance programme continues to evolve with the growth and maturity of the company.”

Peter Bamford
Chairman



Chairman's introduction

In last year's Annual Report I said that I intend to develop the approach to governance further as the Company continues to grow and mature and as new themes and objectives in relation to corporate governance evolve. We have made good progress in the following key areas in particular this year.

We have continued to evolve the membership Board since the IPO following the retirements of both Thomas Hübner and Harry Brouwer. I am delighted to have welcomed Tiffany Hall and Carolyn Bradley to the Board during the year, and also following the year end Gilles Petit who was appointed in May this year.

Each of those appointments have added strength and depth to our Board in relation to retail and consumer-facing executive experience in leading businesses, and also their public company experience as Non-Executive Directors.

The appointment of Gilles fulfils the requirement we had for a Non-Executive Director with senior executive retail experience with businesses in Europe. That addresses the European experience succession requirement following the retirements of Thomas and Harry.

The recent appointments made to the Board have tied-in well with the development of our diversity policy.

We have attracted high calibre, talented Non-Executive Directors with relevant high level experience in retail and consumer-facing backgrounds in relation to the UK and Europe, and at the same time significantly enhanced our gender balance on the Board.

The revised UK Corporate Governance Code 2018 will apply to the Company in the next financial year 2019/20. We have already taken steps to prepare for the new requirements of the new Code, in particular in relation to Workforce Engagement. I am pleased to confirm that Carolyn Bradley has been appointed as our Designated Non-Executive Director for Workforce Engagement, and she will oversee and report to the Board on the effectiveness and outputs from Workforce Engagement by the Group. Further details of developments in this area are set out on page 33 of our Corporate Social Responsibility Report.

We have also devoted more time in the year to consider in more depth how our purpose, values and strategy are aligned with our culture. We have published for the first time a statement of our values (see page 7 above) in our Strategic Report. Those values of simplicity, trust, fairness and being proud of what we offer to our customers, are derived from the feedback the business received from various listening groups with colleagues in our broader workforce, to gain a genuine sense of how those values are seen as being a significant part of the DNA or culture of our business by the broader workforce. On page 45 of the report below there is a summary of other preparations which we have carried out this year.

As your Chairman I will continue to ensure that our corporate governance structures and processes deliver robust oversight and effective decision-making by the Board. The Board continues to maintain a culture of open debate and provides constructive challenge to the management team to achieve the best outcomes for the Group, our shareholders, workforce and all of our other stakeholders.

Peter Bamford
Chairman
22 May 2019

Introduction

This report sets out the main elements of the Company's corporate governance structure and how it complies with the UK Corporate Governance Code. It also includes information required by the Listing Rules and the UK FCA Disclosure and Transparency Rules ("DTR's").

Code compliance


The Board is committed to high standards of corporate governance. Except where otherwise stated below in this report, the Company has complied throughout the year under review with the provisions of the UK Corporate Governance Code published in April 2016 (the "Code") and the DTRs. A copy of the Code is available on the UK Financial Reporting Council's website at www.frc.org.uk.

How we govern

The Board and Committee structure of the Company is as follows:

B&M's Board

The Board of Directors of B&M as at the date of this report has 8 members comprising the Chairman, 2 Executive Directors & 5 Independent Non-Executive Directors.

 See pages 38 to and 39 for more information

Audit & Risk Committee

This committee is made up of 3 Independent Non-Executive Directors

The main responsibilities of the Committee are:

- reviewing and monitoring the integrity of the financial statements and price sensitive financial releases of the Company;
- monitoring the quality, effectiveness and independence of the external auditors and approving their appointment fees;
- monitoring the independence and activities of the Internal Audit function;
- assisting the Board with the risk management strategy, policies and current risk exposures;
- reviewing the adequacy and effectiveness of the Group's internal financial controls and control and risk management systems.


 See pages 48 to 51 for a copy of the Committee's report

Nomination Committee

This committee is made up of the Chairman, CEO and 5 Independent Non-Executive Directors

The main responsibilities of the Committee are:

- reviewing the structure, size and composition of the Board, including the balance of Executive and Non-Executive Directors;
- putting in place plans for the orderly succession of appointments to the Board and to senior management;
- identifying and nominating candidates, for approval by the Board, to fill Board vacancies as and when they arise;
- ensuring, in conjunction with the Chairman of the Company, that new Directors receive a full, formal and tailored induction;
- keeping under review the leadership and senior management needs of the Group including executive and Non-Executive Directors and the wider senior management team, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace.

 See pages 45 and 46 for a copy of the Committee's report

Remuneration Committee

This committee is made up of 3 Independent Non-Executive Directors

The main responsibilities of the Committee are:

- setting the policy for the Group on executive remuneration;
- determining the level of remuneration of the Chairman, the Executive Directors of the Company and the first layer of senior management of the Group below the Board and the Group's General Counsel;
- preparing an annual Directors' Remuneration Report for approval by shareholders at the Annual General Meeting of the Company;
- designing share schemes for approval by the Board for employees and approving awards to Executive Directors and certain other senior management of the Group;
- reviewing pay and conditions across the Group's wider workforce.

 See pages 52 to 59 for a copy of the Committee's report

Terms of Reference of each of the Committees are available on B&M's website at

www.bandmretail.com

Executive Management

The Executive Directors of the Group and of its four main businesses are responsible for the day to day operational and strategic matters in relation to each of the businesses of the Group, which includes B&M, Heron Foods, Jawoll and Babou. Members of the broader senior executive team hold regular monthly meetings led by the CEO to review progress and management activities of the Group.

Board responsibilities

The Board is collectively responsible for the strategy and long-term success of the Group, and for ensuring there is an effective system of internal controls within the Group for the assessment and management of key risks.

The Board has delegated certain responsibilities to three main Committees to assist in discharging its duties and the implementation of matters approved by it (see the table on page 41). The reports of each of the Committees for the year under review are set out on pages 45 and 46, 48 to 51 and 52 to 59.

A detailed presentation of the business, activities and performance of the Group is provided by the CEO at each Board meeting, together with comprehensive financial reports and analysis presented by the CFO. During months falling outside the regular cycle of Board meetings, the CEO and CFO also provide reports and management accounts packs updating the Board on the current trading performance of each of the B&M, Heron Foods, Jawoll and Babou businesses.

Members of the broader senior management teams of B&M, Heron Foods, Jawoll and Babou participate at meetings of the Board and store tours for Board Directors during the course of the year, and attend the annual strategy day of the Group or strategy sessions of the Board held during the course of the year on the relevant business fascias.

Implementation of the Board approved strategy, decisions and policies are delegated to the Executive Directors of the Company for implementation through the day to day operational management of the Group. The Executive Directors are also supported by senior management teams in each of the B&M, Heron Foods, Jawoll and Babou businesses of the Group.

Schedule of matters reserved to the Board

The following matters are reserved to the Board for its approval:

- approving the long-term strategy and objectives of the Group and reviewing the Group's performance and management controls;
- approving any changes to the capital structure of the Group;
- approving the financial reporting, budgets, dividend policy and any significant changes in accounting policies and practices of the Group;
- approving any major capital projects of the Group;
- ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives;
- approving the structure, size and composition of the Board and remuneration of the Non-Executive Directors;
- ensuring the maintenance of a sound system of internal controls and risk management;
- reviewing the Company's overall corporate governance and approving the division of responsibilities of members of the Board; and
- approving and supervising any material litigation, insurance levels of the Group and the appointment of the Group's professional advisers.

Board and Committee meetings and attendance

The Board has a rolling programme of Board and Committee meetings throughout the year and also an annual strategy day in addition to the scheduled Board meetings and strategy sessions.

The General Counsel of the Group also attends all Board meetings and is responsible for advising the Board on corporate governance and compliance.

The Board held 6 Board meetings during the financial year 2018/19.

Attendance at Board and Committee meetings was as follows:

	Board	Audit & Risk Committee	Nomination Committee	Remuneration Committee
Meetings during 2018/19	6	3	4	4
Directors	Attended	Attended	Attended	Attended
Peter Bamford – Chairman	●●●●●	–	●●●	–
Simon Arora	●●●●●	–	●●●	–
Paul McDonald	●●●●●	–	–	–
Ron McMillan	●●●●●	●●	●●●	●●●
Kathleen Guion ¹	●●●●●	–	●●●	●●●
Thomas Hübner ²	●●●●●	●●	●●	–
Tiffany Hall (appointed 18 September 2018) ³	●●	–	●●	●●
Carolyn Bradley (appointed 15 November 2018) ⁴	●●	●	●	–
Directors who retired from the Board during 2018/19:				
Harry Brouwer (retired 14 November 2018) ⁵	●●●●	●●	●●●	●●

1 Kathleen Guion was unable to attend a Board meeting, Nomination Committee and Remuneration Committee meeting which were all held on the same day in the year, due to a one-off family event which she had notified to the Chairman in advance. Since the IPO of the Company in 2014 she has otherwise had a 100% attendance record every year.

2 Thomas Hübner retired from the Board following the year end with effect from 1 May 2019.

3 Tiffany Hall notified the Chairman prior to her appointment on 18 September 2018 that she would be unable to attend one of the Board and Remuneration Committee meetings which were both held on the same day, due to a clash in relation to a pre-existing appointment with a Board meeting of another company, which was taken into account on her appointment being made to B&M. She has otherwise had a full attendance record with B&M during her term of office in the period under review.

4 During the period from Carolyn Bradley's appointment on 15 November 2018 to the year ended 31 March 2019 there were 2 Board Meetings, 1 Audit & Risk Committee and 1 Nomination Committee meeting. She attended all of those meetings, being a 100% attendance record since her appointment for the period under review.

5 During the period of Harry Brouwer's term of office until his retirement on 14 November 2018, he had a 100% attendance record.

Further meetings of the Board, Audit & Risk Committee, Nomination Committee and the Remuneration Committee have also been held since the year end.

The Company held three general meetings of shareholders in the year under review, being the Annual General Meeting and an Extraordinary General Meeting both on 30 July 2018, and an Ordinary General Meeting on 18 September 2018. Each of those meetings were attended by all the Directors who held office with the Company on those dates.

During the year a meeting of the Non-Executive Directors was held without the Chairman being present and meetings of the Non-Executive Directors and Chairman have also been held.

The Chairman has also had one-to-one meetings in the year under review with each of the Independent Non-Executive Directors.

Board composition

During the financial year 2018/19 Tiffany Hall and Carolyn Bradley were appointed as additional Non-Executive Directors and Harry Brouwer retired as a Non-Executive Director. Following the year end Thomas Hübner, who had been the Senior Independent Director, retired and we also appointed Gilles Petit as a further Non-Executive Director. Further details of these new appointments are referred to on page 45 below.

The Board approved the appointment of Ron McMillan, an existing Independent Non-Executive Director, to be the Senior Independent Director in succession to Thomas Hübner. It was determined that he had the requisite skills and experience to fulfil that role, having had a number of years of experience on a variety of public company boards as a non-executive director.

The Board comprises the Chairman, 2 Executive Directors, being the CEO and CFO, and 5 Independent Non-Executive Directors.

The Code recommends that at least half of the Board, excluding the Chairman, should comprise Independent Non-Executive Directors. The Company met this requirement during the whole of the year under review, with each of Thomas Hübner (retired 01 May 2019), Kathleen Guion, Ron McMillan, Harry Brouwer (retired 14 November 2018), Tiffany Hall (appointed 18 September 2018) and Carolyn Bradley (appointed 15 November 2018) being Independent Non-Executive Directors. Following the year end this requirement continues to be met and also includes Gilles Petit as an Independent Non-Executive Director who was appointed to the Board on 2 May 2019. Each of the Independent Non-Executive Directors who served during the year under review, and also currently serving the Board, are considered by the Board to be independent in character and judgment and are free from relationships or circumstances which may affect, or could appear to affect their judgment as Directors. Independence is determined by ensuring that the Non-Executive Directors do not have any material business relationships or arrangements (apart from their fees for acting as Non-Executive Directors) with the Group or its Directors, which in the opinion of the Board could affect their independent judgment.

Simon Arora, Bobby Arora and Robin Arora and SSA Investments S.à r.l. ("SSA Investments") (together "Arora Family") entered into a Relationship Agreement with the Company which came into effect on Admission and which continues to remain in force. Under the terms of that agreement for as long as the Arora Family, together with their associates, hold 10% or more of the ordinary shares in the capital of the Company, they are entitled to appoint one Director to the Board, and the first Director appointed by them is Simon Arora. At the year ended 31 March 2019, SSA Investments (together with Praxis Nominees Limited as its nominee) held 14.98% of the total issued shares in the Company.

The Board believes that the terms of the Relationship Agreement will continue to ensure that the Company and other members of the Group are capable of carrying on their business independently of the Arora Family and that transactions and relationships between them and the Group are at arm's length on normal commercial terms.

All Directors have service agreements or letters of appointment in place and the details of the terms of them are set out in the Directors' Remuneration Report on pages 52 to 59.

Division of responsibilities

There is a clear division of the roles and responsibilities between the Chairman and the CEO and no individual has unrestricted powers of decision-making.

Chairman's key responsibilities:

Peter Bamford, as the Chairman of the Board, is responsible for leading the Board and ensuring its effectiveness, setting its agenda and high standards of corporate governance. The Chairman facilitates the contribution of the Non-Executive Directors and constructive relations between them and the Executive Directors.

Chief Executive key responsibilities:

Simon Arora, as the Group CEO, is responsible for the day-to-day management of the Group and implementation of strategy approved by the Board and implementation of other Board decisions. His role is supported by the Group CFO and the senior executive management teams in each of the Group's businesses.

Diversity policy

The overall objective of the Company's Diversity Policy is to ensure that the Company has a well-balanced Board at all times in terms of the necessary skills, experience and independence of character and judgement of its members, for the Group to be managed effectively for its long-term success.

Appointments to the Board are based on merit so that the best candidates are appointed, but within that the Company recognises the value which a diverse Board brings to the business and it embraces diversity in relation to gender, race, age, educational and professional backgrounds. Along with that criteria, diversity in relation to international experience (in particular in relation to the Group's chosen markets), recent senior management or professional experience in retail and/or supply chain sectors and functional experiences in relation to membership and chairmanship of board committees are also relevant criteria of the Company.

Details of the Company's gender diversity in relation to the management of the Group are included in the Corporate Social Responsibility Report on pages 32 and 33. By the end of the year under review the Company had three female Board members. One of the female Board members also Chair's one of the three main standing Committees of the Board. The percentage of female Board members as at the year end was 37.5%. The first level of senior management below the Board does not currently have any female representation, but it is the Board's intention within the diversity criteria referred to above to see that there is a greater mix at that level by 2020.

Conflict of interests

Simon and Bobby Arora own all the shares in SSA Investments S.à.r.l., which (together with Praxis Nominees Limited as its nominee) holds 14.98% of the ordinary share capital and voting rights in the Company either directly or indirectly as the beneficial owner.

Simon Arora, Bobby Arora, Ropley Properties Ltd and Triple Jersey Ltd are all landlords of certain properties leased by the Group. Ropley Properties Ltd and Triple Jersey Ltd are owned by Arora family trusts.

Except as referred to above there are no potential conflicts of interest between any of the Directors or senior management with the Group and their private interests.

There is an established process of the Board for regularly reviewing actual or potential conflicts of interest. In particular there is a process for reviewing property lease transactions proposed to be entered into by related parties of Directors with any entities in the Group, including the provision of professional advice and consideration of it by a Related Party Transactions Committee of the Board (which includes the Chairman of the Board, Chairman of the Audit & Risk Committee and the General Counsel of the Group) and also by the Company's Sponsor in providing its opinion on the application of the Listing Rules and the applicability and appropriateness of any exemptions in respect of any transactions in the ordinary course of business. Each of the transactions are also reported to general meetings of shareholders' in accordance with Luxembourg Company Law. The above processes include:

- reports by the Property Estates team of B&M on the relevant subject store's suitability and location and details of the principal terms of the proposed lease;
- reports from the external Property Consultants of B&M who are retained to advise on new store acquisitions, store suitability and location strategy;
- reports from external independent Property Consultants on the principal commercial terms of the proposed lease and site location of the proposed subject store;
- each of the Chairman and General Counsel, and also independently of them, the Company's Sponsor, discuss where necessary, the reports of the external independent Property Consultants with them as part of the process of the review by the Related Party Transactions Committee of the Board;
- the Company's Sponsor provides a written opinion to the Company in advance of the Related Party Transactions Committee's consideration of the relevant proposed transactions;
- copies of all the reports referred to above and the Sponsor's Opinion are reviewed by the Related Party Transactions Committee on behalf of the Board, and, in its updates to the Board the Committee provide copies of all the above reports and opinions to the Board; and
- the Related Party Transactions Committee of the Board considers the appropriateness of the relevant transactions independently of Arora family interests, and the CEO, Simon Arora, does not participate in those deliberations.

In addition to the above processes, the Chairman of the Audit & Risk Committee monitors on behalf of the Board a rolling report produced to the Related Party Transactions Committee, the Board and the Sponsor, which is updated throughout the year, on the number of related party leases and rents as a proportion of the overall property estate and rents of the Group.

In the financial year under review the Group adopted a policy, which has been approved by the Board, for chartering a private jet owned by Arora family interests for business travel by executives and other colleagues in instances where commercial operator direct flight schedules are either not available or timings are not feasible. The chartering of the plane by the Group is with the third party operator and CAA licence holder (not with Arora family interests as the owner of the plane). The Related Party Transactions Committee has oversight on behalf of the Board of the usage and costs, to ensure it complies with the Board approved policy for business use only and that costs do not exceed market rates. These transactions are within the exemption for small related party transactions under the Listing Rules, being below 0.25% under the class tests.

See page 64 in relation to details of related party transactions entered into in the financial year 2018/19 and also as set out in note 28 on page 111 of the financial statements.

Audit & Risk Committee

The Audit & Risk Committee consists of 3 Independent Non-Executive Directors and the Chairman of the Committee has recent and relevant financial experience.

The members of the Committee during the year under review were Ron McMillan (Chair), Thomas Hübner (retired 1 May 2019), Carolyn Bradley (appointed 15 November 2018) and Harry Brouwer (retired 14 November 2018). Since the year end Gilles Petit has also been appointed to the Committee with effect from 2 May 2019. The Committee as a whole has competence relevant to the retail sector. See further the biographies of each of the members of the Committee on pages 38 and 39 above.

The duties of the Committee as delegated by the Board are contained in the terms of reference available on the Group's corporate website (as referred to above) and are also summarised in the table on page 41 above.

All meetings of the Committee are attended by the CFO and the Group's General Counsel. The Chairman of the Board and the CEO are also invited to attend. Also attendance and participation is made at each meeting by members of the Group's Internal Audit function and the Luxembourg and UK audit partners of the Group's external auditors.

The Audit & Risk Committee Report on pages 48 to 51 sets out details of the role and activities of the Committee in the last financial year.

Remuneration Committee

The Remuneration Committee consists of 3 Independent Non-Executive Directors. The members of the Remuneration Committee during the year under review were Kathleen Guion (Chair), Ron McMillan, Harry Brouwer (retired 14 November 2018) and Tiffany Hall (appointed 18 September 2018).

The terms of reference of the Remuneration Committee are available on the Group's corporate website (as referred to above) and are also summarised in the table on page 41 above.

All meetings of the Committee are attended by the Group's General Counsel and also the Chairman of the Board and the CEO regularly attend meetings of the Committee, in each case at the invitation of the Chair of the Committee.

The Committee also retains FIT Remuneration Consultants LLP as external advisors who attend and participate at all meetings at the request of the Chair of the Committee.

The Directors' Remuneration Report on pages 52 to 59 sets out details of the role and activities of the Remuneration Committee in the last financial year.

Nomination Committee

The Nomination Committee consists of 7 Directors, being the Chairman of the Board (who chairs the Nomination Committee), the CEO and each of the 5 Independent Non-Executive Directors of the Company. The members of the Nomination Committee during the year under review were Peter Bamford (Chairman of the Committee), Simon Arora (CEO) and Thomas Hübner (retired 01 May 2019) Ron McMillan, Kathleen Guion, Harry Brouwer (retired 14 November 2018), Tiffany Hall (appointed 18 September 2018) and Carolyn Bradley (appointed 15 November 2018). Following the year end Gilles Petit was also appointed on 2 May 2019 to the Nomination Committee. All meetings of the Committee are also attended by the Group's General Counsel, at the invitation of the Chairman of the Committee.

The duties of the Nomination Committee as delegated to it by the Board are contained in the terms of reference available on the Company's corporate website (as referred to above) and are also summarised in the table on page 41 above.

The Committee's terms of reference provide that it will meet not less than twice a year, and it has had four meetings in the year under review.

During the year under review the main activities of the Committee are as follows:

1. Board succession

The Committee, led by the Chairman, oversaw the process of identifying and recommending the appointment of the two new Independent Non-Executive Directors during the year and a third new Independent Non-Executive Director after the year end, being Tiffany Hall, Carolyn Bradley and Gilles Petit respectfully as referred to on page 43 above. The searches were carried out by the Committee with the assistance of Russell Reynolds Associates who are a signatory to the voluntary code of conduct for executive search firms, and they had no other connection with the Group. Following the retirements of two other Independent Non-Executive Directors during the year, as referred to on page 43 above, that brings our current compliment of Independent Non-Executive Directors to five following the year end, which continues to comply with Code requirements as referred to on page 43 above. The Committee, having regard to the diversity objectives and criteria approved by the Board last year, have also successfully enhanced the gender balance on the Board through two of those recruitments, which currently stands at 37.5% of female members on the Board.

2. Executive team developments

The Committee and the CEO together agreed a plan for the strengthening of senior management as the business of the Group continues to grow at a significant rate. The implementation of the plan has commenced during the year with senior manager recruitments in European-wide areas of responsibility in the Group for Finance and FMCG. Other senior recruitments have been made or are planned in relation to other areas of strategic and operational importance as the Group continues to grow, including Buying, HR, Distribution and Supply Chain.

3. New UK Corporate Governance Code

In readiness for the application of the revised UK Corporate Governance Code 2018 (the "2018 Code") which will apply to the Company in the new financial year 2019/20, the Committee has considered the 2018 Code and what steps it may need to implement to supplement the processes which it currently has in place.

In particular the Committee recommended the nomination of one of its Non-Executive Directors, Carolyn Bradley, to be appointed as a Designated Non-Executive Director for Workforce Engagement. This role will oversee the effectiveness of our engagement with the workforce and it will report on the outputs from that to the Board. A review is being undertaken of the mechanisms which the Group already has in place and where any enhancement of those may be beneficial in terms of the effectiveness of those mechanisms and actions arising from the operation of them.

During the year the Board considered papers and training on the requirements of the 2018 Code with the Group General Counsel on the following main areas:

- (i) the key changes and new reporting requirements under the 2018 Code, and the application of those to the Board, its three main Committees and Directors' Remuneration Policy reporting from 2019/20;
- (ii) workforce engagement oversight and reporting structure, mechanisms and outputs (as referred to above);
- (iii) the culture of the business and the responsibility of the Board for ensuring the alignment of our purpose, values and strategy with our culture (see further pages 7 and 40 above); and
- (iv) the reflection in Board decision-making of stakeholder interests and continuing engagement with them, in the context of directors fiduciary duties generally under Luxembourg Company Law, and as required by the 2018 Code by all companies subject to the code in relation to the non-exhaustive list of matters set out in section 172 (1) of the Companies Act 2006 (but while still maintaining our status as a Luxembourg registered company).

The Board has embraced the requirements of the 2018 Code and will report in the next financial year 2019/20 on compliance with that edition of the code.

4. Board and Committees effectiveness review

Board and Committee effectiveness reviews were conducted in the year under review. As part of that process the Chairman met with each of the Executive and Non-Executive Directors on a one-to-one basis to discuss matters relating to the Board, its balance and the monitoring of the exercise of powers of the Executive Directors. The Directors also completed confidential questionnaires in relation to the Board and the Committees, which was co-ordinated by the Group's General Counsel who then prepared a report on the feedback from that process for the Committee which was then considered by the full Board.

From the above review it was noted in particular that:

- (i) the Board, its Committees and each of their members remain effective;
- (ii) while the Board has a very good balance of skills, it could benefit from the recruitment of an additional Non-Executive Director with recent European retail experience;

4. Board and Committees effectiveness review continued

- (iii) a lot of progress had been made during the year having arranged for more time at Board meetings for sessions devoted to particular strategic items, together with participation and presentations from members of the broader senior executive management teams from each of the Group's businesses. That programme will continue also in the year ahead; and
- (iv) a more structured discussion on the assessment of risks and risk appetite each year would be beneficial in addition to the reviews undertaken and reported on to the Board during the year by the Audit & Risk Committee.

The requirement under (iii) above has been addressed since the review, with the recent appointment of Gilles Petit to the Board on 2 May 2019 who has extensive experience in multinational retail businesses in Europe. See page 39 for further details of his biography.

In relation to item (iv) above, as part of the annual Strategy Day of the Board going forward time will be allocated for a structured discussion on strategic risks and a risk appetite assessment.

Following the above evaluations, the Chairman was satisfied that the current Board and standing Committees have an appropriate balance of skills and experience to discharge their duties and continue to be effective.

No changes to any of the Committees or their respective Chairs were recommended by the Nomination Committee following the review this year, other than the appointment of Gilles Petit following the year end as a new member of the Audit & Risk Committee and the Nomination Committee from 2 May 2019.

Ron McMillan, in succession to Thomas Hübner as the Senior Independent Director, led a review of the Chairman's performance during the year. This process was carried out by a meeting of the Independent Non-Executive Directors without the Chairman being present, with soundings having been taken separately from the Executive Directors and a one-to-one meeting of Ron McMillan with the Chairman. Following that process, the Board remains satisfied that the Chairman is effective and demonstrates commitment to his role.

Where Directors have external appointments, the Board is satisfied that they do not impact on the time the Director needs to devote to the Company.

The last external Board review was carried out in the financial year 2016/17 and the next external review will be conducted in the financial year 2019/20.

The Nomination Committee has recommended and the Board has proposed the re-election of all members of the Board at the Company's Annual General Meeting to be held on 26 July 2019.

Appointments, induction and development

Where any new Director may need to be appointed by the Board, the Nomination Committee will lead the process, evaluate the balance of skills, experience, independence, knowledge and diversity on the Board, and in the light of that prepare a description of the role and capabilities required and identify candidates for the Board to consider using external consultants as appropriate.

All new Directors will receive a full, formal and tailored induction programme and briefing with members of senior management. They will also be required to meet major shareholders where requested.

A manual of documents is available for new Directors containing information about the Group, Directors duties and liabilities under Luxembourg Company Law and obligations under the Listing Rules, DTRs and the Market Abuse Regulation, together with governance policies and the UK Corporate Governance Code.

The inductions of Tiffany Hall and Carolyn Bradley as the new Non-Executive Directors took place this year with:

- a series of structured meetings with each of the Executive Directors, members of the broader senior management team of B&M and the Group's General Counsel;
- a Distribution Centre and Store Tour at B&M;
- meetings with senior management of Heron Foods and Jawoll at each of their headquarters, including Distribution Centre and Store Tours of Heron Foods and Jawoll;
- meetings with the Group's brokers and investor relations advisors; and
- Carolyn Bradley also had a meeting with the Group's UK Audit Partner, as part of her induction as a member of the Audit & Risk Committee.

The induction process provided them with early exposure to each of the three businesses in the Group and how the business model is applied and executed by them in relation to each of their retail operations.

In relation to corporate governance they were provided with a comprehensive manual of documents in relation to all main aspects of B&M's governance and compliance as a Luxembourg registered company and as a UK listed company. They also had meetings with the Group's General Counsel in relation to the workings of the Board and each of its Committees.

A similar induction process is also being carried out with Gilles Petit.

The Directors update their knowledge and familiarity with the businesses of the Group throughout the year with a mix of central operations tours and B&M, Heron Foods, Jawoll and Babou stores along with members of the senior management of each of those businesses, and also senior management briefings and presentations in relation to each of the B&M, Heron Foods, Jawoll and Babou businesses.

The Chairman meets each Non-Executive Director individually at least once a year and this includes discussion where necessary on any further training and development needs.

The Nomination Committee also considers training and development needs of the Executive Directors. The Directors also receive regular updates at Board and Committee meetings on law, regulatory and governance matters and future developments from the Group's General Counsel.

There is a procedure for Directors to have access to independent professional advice, at the Company's expense, in relation to their duties should they require it at any time.

Re-election of Directors

Following the reviews and Board evaluation exercise carried out in the financial year 2018/19 as referred to on page 45 above, the Nomination Committee has recommended that each of the Directors be re-elected to the Board.

The Board and the Chairman consider that all the members of the Board continue to be effective and to demonstrate commitment to their roles, and are able to devote sufficient time to their Board and Committee roles and duties. Accordingly, each of the Directors seek re-election at the Company's Annual General Meeting on 26 July 2019.

Risk management and internal control

The Board has overall responsibility for ensuring that the Group maintains a strong system of internal control.

The system of internal control is designed to identify, manage and evaluate, rather than eliminate, the risk of failing to achieve business objectives. It can therefore provide reasonable but not absolute assurance against material misstatement, loss or failure to meet objectives of the business, due to the inherent limitations of any such system.

An internal audit function was established by the Group over 4 years ago, following a review of the monitoring and reporting systems of the Group by the Audit & Risk Committee.

The Board is satisfied that the key risks to the business and relevant mitigating actions are acceptable for a business of the type, size and complexity as that operated by the Group.

The key elements of the Group's system of internal controls are as follows:

Financial reporting: monthly management accounts are provided to the members of the Board that contain current financial and operational reports. Reporting includes an analysis of actual versus budgeted performance and overviews of reasons for significant differences in outcomes. The annual budget is reviewed and approved by the Board. The Company reports half yearly and publishes trading updates in line with market practice;

Risk management: the creation and maintenance of a risk register, which is continuously updated and monitored, with full reviews occurring on at least an annual basis, facilitated by the Internal Audit function of the Group. Each risk identified on the risk register is allocated an owner, at least at the level of a senior manager within the business, and the action required, or acceptance of the risk is also recorded. The risk registers are provided to the Audit & Risk Committee and the Committee reports key risks and mitigating actions to the Board for monitoring as appropriate;

Monitoring of controls: following the establishment of the Internal Audit function, the Audit & Risk Committee receive regular reports from the Internal Audit function as well as those from the external auditors. There are formal policies and procedures in place to ensure the integrity and accuracy of the accounting records of the Group and to safeguard its assets;

Staff policies: there are formal policies in the Group in place in relation to anti-bribery and corruption, anti-slavery and whistle-blowing policies in relation to reporting of any suspected wrong doing or malpractice. Those policies are reviewed and updated by the Group as required from time to time.

The Board and the Audit & Risk Committee have carried out a review of the effectiveness of the system of internal controls during the year ended 31 March 2019 and for the period up to the date of approving the Annual Report and Financial Statements.

Information on the key risks and uncertainties of the Group are set out on pages 26 to 30.

Shareholder relations

The Board recognises that good, regular communication is key to maintaining shareholder relations, and as such we will endeavour to explain our performance, management actions and financial results, and also to respond to investor feedback.

Meetings and calls are regularly held with institutional investors and analysts in order to provide the best quality information to the market.

The formal reporting of our full year results will be a combination of webcasts, presentations, group calls and one-to-one meetings in a variety of locations. The Board members, including the Chairman, the Senior Independent Director and each of the other Non-Executive Directors, are available to meet with major shareholders where they wish to raise issues outside of the above environments.

The Company will also communicate with its shareholders through the Annual General Meeting, at which the Chairman will give an account of the progress of the business over the past year, and will provide the opportunity for shareholders to raise questions with the Chairman and the Chairs of each of the Committees of the Board.

The Company holds conference calls and one-to-one meetings where practical in accordance with market practice generally during the course of each financial year with bondholders.

The Company's corporate website at www.bandmretail.com is regularly updated with our releases to the market and other information and includes a copy of this Annual Report and Financial Statements.

Other disclosures

Where information is applicable under Listing Rule 9.8.4R in relation to the Group, the following matters can be found on the following pages of this report:

- (a) arrangements under which the B&M European Value Retail S.A. Employee Share Ownership Trust has waived or agreed to waive dividends or future dividends – page 63;
- (b) relationship agreement and independence statement – pages 64 and 65.

Disclosures under DTR 7.2.6R with regard to share capital are set out in the sections headed "Share capital", "Shareholders" and "Section (a) Share capital structure", in the Directors' report and business review on pages 62 to 66 below.

Peter Bamford
Chairman
22 May 2019

Audit & Risk Committee report

“The Audit & Risk Committee is an important element of the Group’s governance structure. Our role is to advise the Board on financial reporting, viability and going concern, risks and controls, and whether the Annual Report provides the information necessary for shareholders to assess the Group’s performance, business model and strategy.”

Ron McMillan

Chairman of the Audit & Risk Committee



Dear Shareholder,

During the year, the Audit & Risk Committee has continued to carry out a key role within the Group’s governance framework, supporting the Board in risk management, internal control and financial reporting.

The Committee exercises oversight of the Group’s financial policies and reporting. It monitors the integrity of the financial statements and reviews and considers significant financial and accounting estimates and judgements. The Committee satisfies itself that the disclosures in the financial statements about these estimates and judgements are appropriate and obtains from the external auditor an independent view of the key disclosure issues and risks. In relation to risks and controls, the Committee ensures that these have been identified and that appropriate responsibilities and accountabilities have been set.

A key responsibility of the Committee is to review the scope of work undertaken by the internal and external auditors and to consider their effectiveness.

The Committee has also considered the narrative in the Strategic Report and believes that sufficient information has been provided to give shareholders a fair, balanced and understandable account of the Group’s business.

During the year, the Committee again oversaw the process used by the Board to assess the viability of the Group, the stress testing of key trading assumptions and the preparation of the Viability Statement, which is set out on page 31, in the principal risks and uncertainties section of the Strategic Report.

Further information on the Committee’s responsibilities and the manner in which they have been discharged is set out below.

Going forward, I shall ensure that the Committee continues to acknowledge and embrace its role of protecting the interests of shareholders as regards the integrity of published financial information and the effectiveness of audit.

I am available to speak with shareholders at any time and will also be available at the Annual General Meeting on 26 July 2019 to answer any questions you may have on this report. I would like to thank my colleagues on the Committee for their continued help and support during the year.

Ron McMillan

Chairman of the Audit & Risk Committee

22 May 2019

Committee composition

The Committee comprises three members, each of whom is an independent Non-Executive Director of the Company. Two members constitutes a quorum. The Committee must include one financially qualified member with recent and relevant financial experience. The Committee Chairman fulfils that requirement. All members are expected to have an understanding of financial reporting, the Group's internal control environment, relevant corporate legislation, the roles and functions of internal and external audit and the regulatory framework of the business. As reflected in the biographical summaries on pages 38 and 39, all members of the Committee have significant experience of working in or with companies in the retail and consumer goods sectors and, as such, the Audit Committee as a whole has competence relevant to the retail sector.

The members of the Committee during the year were Ron McMillan, Thomas Hübner (retired 1 May 2019) Carolyn Bradley (appointed 15 November 2018) and Harry Brouwer (retired 14 November 2018). Since the year end Gilles Petit has been appointed as a member of the Committee on 2 May 2019. Details of Committee meetings and attendances are set out on page 42 of the Corporate Governance report. The timing of Committee meetings is set to accommodate the dates of release of financial information and the approval of the scope of and reviews of outputs from work programmes executed by the internal and external auditors. In addition to scheduled meetings, the Chairman of the Committee met with the CFO and the internal and external auditors.

Although not members of the Committee, Paul McDonald as CFO and Paul Owen as General Counsel of the Group and representatives from the internal and external auditors attend all meetings. The Chairman of the Board and the CEO are also invited to attend.

Responsibilities

The responsibilities of the Audit & Risk Committee, as delegated by the Board, are set out in its terms of reference which are available on the Group's corporate website. They include the following:

- reviewing the integrity of the financial statements, price sensitive financial releases of the Group and the significant financial judgements and estimates relating thereto;
- monitoring the scope of work, quality, effectiveness and independence of the external auditors and approving their appointment, reappointment and fees;
- monitoring and reviewing the independence and activities of the internal audit function;
- assisting the Board with the development and execution of a risk management strategy, risk policies and current risk exposures, including the maintenance of the Group's risk register;
- keeping under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems; and
- making recommendations to the Board in relation to the appointment of the external auditor.

Committee activities in 2018/19

In discharging its oversight of the matters referred to in the introductory letter to this report and as set out below, the Committee was assisted by management, the Group's General Counsel and the internal and external auditors.

The recurring work of the Committee

The Committee considered the following matters during the year:

- consideration of the Annual Report and financial statements of the Group;
- consideration of the interim results report and non-statutory financial statements of the Group for the half year;
- consideration of key significant areas of accounting estimation or judgement;
- consideration of the significant risks included in the Annual Report;
- approval of the external auditors terms of engagement, audit plan and fees;
- going concern and viability statements; and
- approval of the internal audit plan.

The meetings at which the following matters were considered were as follows:

	May 2018	Nov 2018	Jan 2019
Internal Audit ("IA")			
IA annual evaluation		•	
review of IA work plan, reports and updates	•	•	•
External Audit			
review of audit report on preliminary results and annual report FY18	•		
review of audit report on the Group's interim results FY19		•	
approval of the external audit plan and strategy			•
– review of external auditor's effectiveness/independence/and quality of audit			•
– update on the provision of any non-audit services provided by the external auditor			•
Accounting matters			
review of the methodology applied to value inventory	•	•	
accounting for put & call option in relation to Jawoll acquisition	•	•	
review of acquisition accounting in relation to Heron Foods	•		
accounting for hedging instruments and policy	•	•	
accounting in relation to supplier rebates	•	•	
review of IFRS 9, 15 and 16 and disclosures		•	
acquisition of Babou in relation to FY19 interim results financial statements		•	
update on IFRS 16 process and preparation for implementation			•
Other matters			
review of the Group Data Protection Policy and implementation process	•		
year end final review of related party transactions (store leases)	•		
whistleblowing policy, processes and reports		•	
review of Babou post acquisition integration plan			•
consideration of Brexit related disclosures for FY19			•
preparation and process relating to the viability statement for FY19			•
consideration of UK Corporate Governance Code 2018 and disclosure regulations for FY20			•

Audit & Risk Committee report continued

Accounting matters

The Committee considered the following accounting matters in particular during the year:

- impairment testing of Jawoll goodwill and related Annual Report disclosures;
- the methodology applied by the Group to value inventory;
- accounting for put and call options in relation to the Jawoll acquisition;
- accounting relating to the acquisition of Heron Foods including the treatment of deferred consideration and the valuation of intangibles, and the acquisition of Babou;
- goodwill impairment in relation to each of the companies in the Group;
- hedge accounting;
- accounting in relation to the Group's associates;
- the accounting for supplier rebates; and
- the implications for the Group of adopting IFRS 9, 15 and 16.

In considering the above accounting matters the Committee had regard to papers and reports prepared by the Group's Finance Department and the external Auditors and the explanations and disclosures made in the Group's financial statements. The Committee also considered the significance of these accounting matters in the context of the Group's financial statements and their impact on the Group's statement of comprehensive income and the statement of financial position.

In relation to IFRS 16, the Committee was satisfied that the Group has developed a model to be able to understand the impact on the financial statements of the new standard, including seeking input from KPMG, outside of the audit, in respect of the assumptions and the methodology applied.

IT systems and business continuity

The success of the business relies on the development and operation of IT systems which are efficient and effective. In addition, the integrity and security of the IT systems are vital from a commercial standpoint.

During the year, the Board reviewed the Group's IT systems and controls and was satisfied that IT controls are effective.

Regulation

The Group operates within a fast moving and increasingly regulated market place and is challenged by regulatory requirements across the board, including those controlling bribery and corruption, the importation of goods, data protection and health and safety. This creates risk to the organisation as non-compliance can lead to financial penalties and reputational damage in respect of customers, employees, suppliers and stakeholders.

The Board reviewed the Group's compliance procedures and the application of policies relating to fraud, anti-money laundering and anti-bribery. The Committee reviewed the whistleblowing procedures and reports, which will become the responsibility of the Board in the next financial year under the new UK Corporate Governance Code 2018 which will apply to the Company from 1 April 2019.

GDPR

The Committee reviewed the Group's Data Protection and GDPR policy and the actions being taken to comply with the GDPR. Responsibility for GDPR compliance ultimately rests with the Board.

Related party transactions

There is an established process for the consideration and review of related party store lease transactions of the Group with Arora Family. Details of that process are set out on page 44 of the Corporate Governance Report above.

The Committee reviews and monitors for the Board the overall total number of related party store leases and rents of the Group with those related parties during the course of the year, with a view to assessing any potentially material increases in the proportion of those store leases or rents compared with the overall store estate and rent roll.

Internal control and risk management

The Board has overall responsibility for ensuring that the Group maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatements, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against that background, the Committee has helped the Board develop and maintain an approach to risk management which incorporates risk appetite, the framework within which risk is managed and the responsibilities and procedures pertaining to the application of the policy.

The Group is proactive in ensuring that corporate and operational risks are identified and managed. A corporate risk register is maintained which details:

1. the risks and the impact they may have;
2. actions to mitigate risks;
3. risk scores to highlight the implications of occurrence;
4. ownership of risks; and
5. target dates for actions to mitigate risks.

A description of the principal risks is set out on pages 27 to 30.

The Board has confirmed that it has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency or liquidity.

The Board considers that the processes undertaken by the Committee are appropriately robust and effective and in compliance with the guidelines issued by the Financial Reporting Council. During the year, the Board has not been advised by the Committee nor has it identified itself, any failings, frauds, or weaknesses in internal control which it has determined to be material in the context of the financial statements.

The Committee continues to believe that appropriate controls are in place throughout the Group, that the Group has a well-defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also believes that the Company complies with the FRC guidance on Risk Management, Internal Control and related Financial Business Reporting.

Furthermore, the Internal Audit function has carried out a robust assessment of the effectiveness of actions taken by management to mitigate significant risks and this has been reviewed by the Committee.

Reviewing the draft interim and annual reports

The Committee considered in particular the following:

- the accounting principles, policies and practices adopted and the adequacy of related disclosures in the reports;
- the significant accounting issues, estimates and judgements of management in relation to financial reporting;
- whether any significant adjustments were required as a result of the audit;
- compliance with statutory tax obligations and the Group's tax policy;
- whether the information set out in the Strategic Report was balanced, comprehensive, clear and concise and covered both positive and negative aspects of performance; and
- whether the use of "alternative performance measures" obscured IFRS measures.

Going concern and financial viability

The Committee reviewed the appropriateness of adopting the going concern basis of accounting in preparing the full year financial statements and assessed whether the business was viable in accordance with the UK Corporate Governance Code 2016. The assessment included a review of the principal risks facing the Group, their financial impact, how they are managed, the availability of finance and the appropriate period for assessment. The Committee also ensured that the assumptions underpinning forecasts were stress tested. The Group's viability statement in on page 31.

Fair, balanced and understandable.

The Committee considered whether the 2019 Annual Report is fair, balanced and understandable and whether it provides the necessary information to shareholders to assess the Group's performance, business model and strategy. The Committee considered management's assessment of items included in the financial statements and the prominence given to them. The Committee and subsequently the Board were satisfied that, taken as a whole, the 2019 Annual Report and Accounts are fair, balanced and understandable.

External auditors

KPMG Luxembourg Société Coopérative (KPMG) were re-appointed by shareholders at the Annual General Meeting on 28 July 2018 as the Group's independent external auditors (réviseur d'entreprises agréé) for the financial year ended 31 March 2019. The partners responsible for the audit are Thierry Ravasio, a partner in KPMG's Luxembourg office and Nicola Quayle, a partner in KPMG's Manchester office. Whilst there was no specific FRC review of the Group's audit this year, the Committee discussed with KPMG the results of the FRC Audit Quality Inspection of KPMG UK as a whole and the proposed improvement plans arising from the mixed findings of the FRC Report. The Committee will closely monitor progress against these plans.

In relation to the Group's audit, the Committee has reviewed the performance of KPMG with input from management, the Group's finance and internal audit functions and the General Counsel. The conclusions reached were that KPMG has continued to perform the external audit in a very professional and efficient manner and it is, therefore, the Committee's recommendation that the reappointment of KPMG be put to shareholders at the Annual General Meeting on 26 July 2019. Given KPMG's short tenure of three years, the Board has no present plans to consider an audit tender process.

The Committee reviewed the reports prepared by KPMG on key audit findings as well as the recommendations made by KPMG to improve processes and controls together with management's responses to those recommendations. Management has committed to making appropriate changes in controls in other areas highlighted by KPMG.

Non-audit work

The Board's policy in relation to the auditors undertaking non-audit services is that they are normally subject to tender processes with the allocation of work being done on the basis of competence, cost effectiveness, regulatory requirements, potential conflicts of interests and knowledge of the Group's business.

KPMG were paid £481,500 during the year, £80,500 of which was for non-audit work with the remaining balance relating to audit services. The non-audit work of £80,500 mainly related to work associated with (i) the half year interim report and (ii) the Company model to prepare for the adoption of IFRS16.

The Committee is mindful of the attitude investors have to the auditors performing non-audit services. The Committee monitors the appointment of the auditors for non-audit services with a view to ensuring that non-audit services do not compromise the objectivity and independence of the auditors. The Committee will continue to ensure that fees for non-audit services will not exceed 70% of aggregate audit fees measured over a three year period.

Internal audit

The Group Internal Audit function has a direct reporting line to the Committee and they are represented at all Committee meetings in person. During the year, Internal Audit undertook a programme of work which was discussed with and agreed by both management and the Committee and which was designed to address both risk management and areas of potential financial loss. Internal Audit has also established procedures within the business to ensure that new risks are identified, evaluated and managed and that any necessary changes are made to the risk register.

During the year, the Committee received reports from the Internal Audit function in relation to:

- Corporate policies and procedures;
- Environmental and social compliance;
- General ledger and basic financial controls in Jawoll;
- Payroll processes in Heron Foods;
- Property leases, related party transactions and store opening programme;
- Regulatory compliance;
- Rents and rates;
- Risk register and risk mitigations;
- Transport availability;
- Treasury Management; and
- Whistle blowing processes in B&M Retail and Heron Foods.

In relation to each of the above, Internal Audit made recommendations for improvements, the vast majority of which were agreed by management and either have been or are being implemented.

The Committee has evaluated the performance of internal audit and has concluded that it provides constructive challenge to management and demonstrates a constructive and commercial view of the business.

Committee effectiveness

The effectiveness of the Committee during the year was evaluated as part of a broader Board effectiveness review conducted internally and led by the Chairman of the Board as described on pages 45 and 46 above. The overall conclusion of the review was that the Committee remains effective in discharging its functions and reporting to the Board.

Ron McMillan

Chairman of the Audit & Risk Committee

22 May 2019

Directors' remuneration report

Annual statement by the Chair of the Remuneration Committee

"The linkage between executive remuneration with our business goals, the achievements of the Group and shareholder experience, is key to how we implement our remuneration policy."

Kathleen Guion
Chair of the Remuneration Committee



Dear Shareholder,

I am pleased to present the Company's Annual Remuneration Report for 2018/19, being the fifth report since the IPO of the Company in 2014. We have come a long way both as a Group and in terms of the development of our remuneration strategy in that time. I was very encouraged to see a 98.88% vote in favour of our new three year forward-looking policy by shareholders who voted at our AGM last year.

Performance and awards for 2018/19

There has been a strong performance by the Group again in 2018/19. Total Group revenues increased by 15.0%, profit before tax increased by 8.8%, the Group's cash flow from operations increased by 7.2% and there was also a 7.6% increase in the number of B&M UK stores in the year. The Group also successfully completed the acquisition of Babou, a general merchandise value retail chain of 95 stores (at the time of acquisition) in France.

The Annual Incentive Plan ("AIP") out-turn for the CEO and CFO was 46.0% and 40.3% of their respective maximums, which reflected a good financial performance and the Committee's assessment against objectives set this year for them. Following shareholder approval last year to the introduction of a deferred share bonus plan, 1/3 of the bonus achieved by the CEO and CFO under the AIP in 2018/19 has been deferred into shares for 3 years.

The LTIP granted to the CFO awarded in 2016 has reached the end of the relevant performance period. This was subject to two performance conditions being the adjusted earnings per share and the relative TSR performance of the Company against FTSE 350 retailers, each being over a 3 year performance period measured at 30 March 2019. The TSR performance resulted in a 100% out-turn for this measure. The adjusted earnings per share was 19.7p being a 58% out-turn under that measure and giving a 79% overall vesting of that award at the end of the holding period which will be in August 2021.

The Committee has discretion to reduce the level of vesting. It considered that the formulaic out-turns under both the AIP and LTIP were appropriate and approved the outcomes without the exercise of any discretion.

Implementation of remuneration policy for 2019/20

The base salary levels for the two Executive Directors were increased by 2% in line with the average for UK salaried staff generally. The AIP and LTIP arrangements remain substantially unchanged from the previous year.

The Committee has received training on the UK's new Corporate Governance Code 2018 and the Committee's terms of reference have been updated to ensure that it is directly responsible for approving the packages of the Group's most senior management, and that it has an appropriate overview of remuneration across the wider Group. It will consider what, if any, additional steps are necessary to ensure that the Company complies with the code when it comes into effect in relation to the Company in the 2019/20 financial year.

Format of the report

The report sets out below on pages 53 to 59 the Company's Annual Remuneration Report, which details the remuneration paid to the Directors' in the 2018/19 financial year, and which is subject to a shareholder advisory vote at our 2019 AGM.

Following best practice we have set out the remuneration policy table which was approved last year on pages 60 and 61 below. The full policy report is available in last year's Annual Report on our website at www.bandmretail.com.

We have continued to ensure that the Company's remuneration arrangements provide an appropriate balance between the interests of shareholders and those of the executives. I hope that you agree and that you will therefore support this year's vote on the remuneration report.

This report has been prepared under the regulations adopted in the UK in 2013 (and as amended) for the reporting of executive remuneration, as was also the case last year. As the Company is a Luxembourg registered company, it is not subject to that regime, however, the Committee considers those regulations to be reflective of best practice and has therefore followed that practice, while maintaining its status as a Luxembourg registered company.

I welcome any feedback which shareholders may have in relation to this report in the meantime. I will also be available at the AGM to take any questions in relation to this report.

Kathleen Guion
Chair of the Remuneration Committee
22 May 2019

Role of the Remuneration Committee

The Committee has responsibility for determining the Company's policy on remuneration of the Executive Directors and the Chairman, the first layer of senior management of the Group below the Board and the Group's General Counsel. Its terms of reference have been updated to ensure it reviews the pay and conditions of the Group's wider workforce.

The Committee's key aims in developing the remuneration policy are to attract, retain and motivate high-calibre senior management and to focus them on the delivery of the Group's strategic business objectives, to promote a strong and sustainable performance culture, to incentivise high growth and to align the interests of Executive Directors and senior management with those of shareholders. In promoting these objectives, the Committee's aims are to develop a remuneration policy in a simple, transparent and understandable way and to ensure that no more than is necessary is paid. The framework of the forward-looking policy approved by shareholders last year was structured to adhere to the principles of good corporate governance and having regard to pay across the wider workforce and to appropriate risk management.

The Committee's terms of reference are available on the Company's website at www.bandmretail.com

How the views of shareholders are taken into account

The Committee recognises that developing a dialogue with shareholders is constructive and informative in developing and applying the remuneration policy. The Committee consulted with a number of shareholders and investor bodies, before the forward-looking policy was approved by shareholders last year.

The Committee welcomes feedback generally at any time which will be considered as part of its annual review of remuneration policy.

Annual Remuneration Report

Implementation of Remuneration Policy

The Committee has operated the remuneration policy in accordance with the Directors' Remuneration Policy (the "Policy") which was approved by shareholders at the Company's AGM on 30 July 2018.

This section of the report sets out how the Policy has been applied in the financial year 2018/19 and how it will be applied in the financial year 2019/20.

Where sections of the report have been subject to audit, they are marked accordingly.

Single figure table of total remuneration of Executive Directors – audited

The audited table below shows the aggregate remuneration of the Executive Directors of the Company during the financial year 2018/19.

Executive Directors	Year ¹	Salaries £	Benefits ² £	Bonus ³ £	Value of long term incentives ⁴ £	Pension ⁵ £	Total £
Simon Arora (CEO)	2017/18	612,497	37,873	618,416	–	107,294	1,376,080
	2018/19	631,221	27,068	435,661	–	110,226	1,204,176
Paul McDonald (CFO)	2017/18	308,911	8,273	193,408	299,907	40,367	850,866
	2018/19	318,355	8,743	160,262	292,212	41,254	820,826

- The 2017/18 year is for the 53 weeks ended 31 March 2018 and the 2018/19 year is for the 52 weeks ended 30 March 2019. The figures in the table above also include the impact of an additional week's pay in 2017/18. The Executive Directors received a 5% increase to their base salaries in 2018/19 in accordance with the forward-looking policy approved by shareholders at last year's AGM.
- Benefits in 2017/18 and 2018/19 include company car/car allowance cash equivalent as a benefit in kind, fuel and running costs, critical illness insurance, and life assurance for each Executive Director and, for the CFO only, permanent healthcare insurance.
- One third of the annual bonuses of the CEO and the CFO for 2018/19 being £145,220 and £53,421 respectively, are payable in shares which are to be deferred for a period of three years from the date of grant and will be subject to forfeiture if they voluntarily resign or leave due to misconduct in circumstances where the Company is entitled to summarily dismiss them, prior to the end of that period.
- LTIP awards in 2017/18 and 2018/19 were subject to pre-vest performance conditions, so they will be included on the satisfaction of those conditions. The performance targets for the LTIP are set out on page 56. The 2016/17 grant has been tested and the result of that is explained on page 55 so it has been included in the above figures although it will not vest until the expiry of the holding period on 18 August 2021. The value of LTIP's for 2017/18 has been restated to reflect the share price on the third anniversary of grant, being £4.16 on 5 August 2018. The value of LTIP's for 2018/19 has been estimated using the actual number of shares due to vest and the three-month average share price to the year-end of £3.39217.
- For each of 2017/18 and 2018/19, pensions include auto-enrolment pension employer contributions and a cash equivalent allowance to pension contribution entitlement less employers' NICs.

Salary

In accordance with the forward-looking policy approved by shareholders at last year's AGM, the Executive Directors received a 5% increase in base salaries with effect from the beginning of the financial year under review.

The Executive Directors received a 2% increase in their base salaries with effect from the beginning of the 2019/20 financial year.

The comparator group of retailers used in the benchmarking exercise in relation to the updated remuneration policy from the beginning of the 2018/19 financial year at the time of setting the CEO and CFO base salaries and overall remuneration packages included the following FTSE 350 retailers (being both the FTSE General Retailers Sector and the FTSE Food and Drug Retailers Index constituents): Card Factory, Dignity, Dixons Carphone, Greggs, Halfords, Inchcape, J Sainsbury, JD Sports Fashion, Marks & Spencer, Morrison Supermarkets, Next, Ocado, Pets At Home, Sports Direct, SSP, Tesco and WH Smith. In addition, the Committee reviews pan-sector data of companies with a comparable market capitalisation to the Company.

Benefits

Benefits are set by the Committee in accordance with the remuneration policy set out on pages 60 and 61 below. There are no changes proposed to the overall benefits framework for 2019/20.

Pension

Pension contributions are in line with the remuneration policy. The amounts paid in the year represent either the amount contributed to personal pension plans, or the equivalent cash value (adjusted for the cost of employers' NICs) as salary supplements.

There are no increases proposed to the rates of the pension benefits of the Executive Directors for 2019/20, which remain at 20% of base salary (or cash equivalent less Employers' NICs) for the CEO and 15% of base salary (or cash equivalent less Employers' NICs) for the CFO in accordance with the remuneration policy. For any new Executive Directors their pension benefits would be capped at the same percentage of base salary applied generally to UK employees of the Group, notwithstanding the higher cap approved by shareholders in the remuneration policy adopted last year.

Directors' remuneration report continued

Bonus

Executive Directors received bonus payments in 2018/19 in line with the remuneration policy and the terms of the Annual Incentive Plan ("AIP"), in the amounts set out in the table on page 53 above, together with 1/3 of the bonus achieved under the AIP in 2018/19 which has been deferred into shares for 3 years.

The financial targets for 2018/19 were set against Adjusted Group EBITDA performance as follows:

	Adjusted Group EBITDA target*	% maximum overall Bonus opportunity
Threshold	£292.50m	18.75%
Target	£325.00m	37.5%
Max	£341.25m	75%
Actual	£305.5m	26.2%

* There is a straight-line vesting between the threshold, target and maximum points achieved.

The other 25% of the AIP related to personal and leadership development objectives. These objectives focused on a number of key performance indicators ranging from strategic, operational and investor relations matters.

In particular:

CEO

CFO

Personal Objectives (15% weighting)

In relation to the CEO:

- i. a target for product satisfaction and a target of no material safety recalls of products, both of which were achieved;
- ii. investor relations outcomes were assessed as having been achieved by reference to the continued broadening of the shareholder base with a committed engagement and dialogue with investors, notwithstanding macro-economic and political factors which were generally difficult to the whole of the general retail sector in the year under review;
- iii. environmental reductions in Like-for-Like estate power consumption goals were met, as a result of the continued investment in LED lighting and consumption efficiencies within the store estate; and
- iv. the development and execution of the M&A strategy achieved a 50% score, notably in relation to the planned and successful execution of the acquisition of Babou in France but with a longer timeframe necessary for the successful development of Jawoll.

Overall 13 out of 15

In relation to the CFO:

- i. oversight of development of the Internal Audit function and insightful reporting to management, was assessed at 75% with the Audit & Risk Committee providing soundings on the outcomes of this measure generally;
- ii. cost control reductions were achieved but they were below certain targeted measures in relation to the Group;
- iii. investor relations outcomes were assessed as having been achieved by reference to the continued broadening of the shareholder base with a committed engagement and dialogue with investors, notwithstanding macro-economic and political factors which were generally difficult to the whole of the general retail sector in the year under review; and
- iv. on oversight of the development and execution of IT strategy by the Group a one third score was achieved with the CFO being more involved on financial as opposed to other operational IT developments in the year.

Overall 8 out of 15

Personal Development Objectives (10% weighting)

This included:

- i. development of greater degree of participation by the next tier of senior management with the Board on key operational and strategic areas, which was achieved by a rolling programme of presentations to the Board by them across each of the business fascia's in the Group and with incoming management in relation to the Babou acquisition;
- ii. employee relations and development of career progression and succession planning was assessed at 50% with on-going succession planning to continue to be developed further across the Group.

Overall 7 out of 10

This included:

- i. directing of due diligence on M&A acquisitions, which was assessed at 100% in relation to the financial due diligence on the acquisition of Babou and also measured against other areas for future development;
- ii. integration of finance and reporting functions of acquired businesses, and recruitment of an International Director of Finance with oversight of the acquired businesses in the Group reporting directly to the CFO, was assessed at 50% having made progress on integration and having recruited the International Director of Finance in the later part of the year;
- iii. execution of funding aspects of M&A, which was assessed at 100% as demonstrated on the successful acquisition of Babou; and
- iv. a cross functional supply chain initiative to achieve cost savings. No score was given to that measure in FY18/19 as the implementation of that is not expected until after the Southern Distribution Centre is operational.

Overall 6 out of 10

The Committee reviewed the AIP during the year and remains satisfied that it continues to be appropriate for the Company.

Accordingly, for 2019/20, the maximum bonus opportunity for the CEO and CFO will remain at 150% and 125% of base salary respectively. Under the awards for 2019/20, 75% of the maximum bonus opportunity is again based on the achievement of an Adjusted EBITDA target, although the 15% on achievement of individual KPI's and 10% on other personal leadership and development criteria will be consolidated into 25% linked to more clearly defined strategic priorities which include both aspects. In relation to each award 1/3 of any bonus achieved will be deferred into shares for 3 years. The awards will also be subject to malus and claw-back provisions.

The Committee does not disclose Adjusted EBITDA targets in advance as they are commercially sensitive and it is not market practice to do so. Suitable disclosure of the financial target ranges will again be included in next year's report retrospectively.

Long term incentives

The award granted on 18 August 2016 to the CFO was based on a combination of EPS and TSR measured to 30 March 2019 and the out-turn of those targets was that the TSR condition was met to the extent of 100% and the adjusted earnings per share was 19.7p being an out-turn under that measure of 58%. While the award does not vest until the expiry of the holding period being on 18 August 2021, on the basis that the performance conditions have been satisfied to the extent of 79% that proportion of the award has been included within the single figure.

Under the LTIP, subject to meeting performance conditions set by the Committee, awards will ordinarily vest on the third anniversary of the date of grant subject to a further two year holding period applying. The maximum individual limits for awards are capped at 200% of base salary under the existing remuneration policy and LTIP Plan rules.

Awards were made to the CEO and CFO under the LTIP on 20 August 2018 equal to 200% of base salary and for 175% of base salary respectively. Details of the award are set out in the table below.

For 2019/20, it is expected that awards will be made shortly following the announcement of the 2018/19 results. Those awards are proposed for the CEO to be equal to 200% of base salary and for the CFO 175% of base salary, with performance measures unchanged from those applying to the LTIP grant for 2018/19. The TSR condition will be the same as the LTIP for 2018/19. The EPS range is set out on page 56. There will be a holding period expiring on the fifth anniversary of the date of the grant.

Remuneration of the Chairman and Non-Executive Directors – audited

The fees of the Chairman are set by the Remuneration Committee. The fees of each of the Non-Executive Directors are set by the Board and take account of Chairmanship of Board Committee's and the time and responsibility of the roles of each of them.

The fees paid for 2018/19 to the Chairman of the Board and each of the Non-Executive Directors were as follows, and the Non-Executive Directors fees will be the same as those in 2018/19 for 2019/20:

Director	2018/19 Fee £	2017/18 Fee £
Peter Bamford ¹	300,000	34,592
Thomas Hübner (retired from the Board 1 May 2019)	74,500	74,500
Kathleen Guion	70,000	70,000
Ron McMillan	70,000	70,000
Harry Brouwer (retired from the Board 14 November 2018)	40,759	58,000
Tiffany Hall (appointed to the Board 18 September 2018)	45,645	–
Carolyn Bradley (appointed to the Board 15 November 2018)	36,428	–
Gilles Petit (appointed to the Board 2 May 2019)	–	–

¹ In relation to the fees for 2017/18, Peter Bamford also received fees of £9,592 as a Non-Executive Director of a group subsidiary for January and February 2018 only which are not on-going fees, prior to his appointment as Chairman of the Company on 1 March 2018.

Directors' remuneration report continued

Scheme interests awarded during the financial year – audited

The audited table shows all share awards held by Directors, together with awards made in 2018/19. Each award takes the form of nil cost options under the LTIP scheme, with each grant up to 7 August 2017 being equal to 100% of base salary and awards made on 20 August 2018 to the CEO and CFO being equal to 200% and 175% of base salary respectively.

Director	Date of grant	Share price at date of grant	Number of shares over which award was granted	Number of awards exercised in the year	Number of awards lapsed in the year	Number of awards held at 30 March 2019	Face value of award	% of face value that would vest at threshold performance	Vesting on performance over date
Simon Arora	20.08.18	£4.045	312,099	–	–	312,099	£1,262,440.46	25%	Third anniversary of the date of grant subject to an additional two year holding period
Paul McDonald	01.08.14	£2.715	74,074	74,074	–	–	–	100%	Third anniversary of the date of grant
	05.08.15	£3.570	81,232	–	9,139	72,093	–	25%	Third anniversary of the date of grant subject to an additional two year holding period
	18.08.16	£2.726	109,042	–	22,899	86,143	–	25%	Third anniversary of the date of grant subject to an additional two year holding period
	07.08.17	£3.733	81,220	–	–	81,220	–	25%	Third anniversary of the date of grant subject to an additional two year holding period
	20.08.18	£4.045	137,730	–	–	137,730	£557,117.85	25%	Third anniversary of the date of grant subject to an additional two year holding period

Performance targets for outstanding LTIP awards

The performance conditions for each of the LTIP awards made on 18 August 2016, 7 August 2017 and 20 August 2018 (and the award due to be made in 2019) are as follows:

- 50% of the relevant award shares will vest based on the Company's relative TSR performance against the FTSE 350 retailers (being both the FTSE General Retailers Sector and the FTSE Food and Drug Retailers Index constituents) over the three year period commencing from the beginning of the financial year in which the relevant award was granted (the "Performance Period") as derived by comparing the one month prior to the start and end of the relevant Performance Period. The amount due to vest is determined at the end of the performance period although awards only vest at the end of the subsequent holding period. This determination occurs on achievement (as a threshold level) of a median relative TSR performance ranking being attained at the end of the relevant Performance Period, with 25% of that portion of the relevant award shares then becoming exercisable. On attaining an upper quartile relative TSR performance ranking at the end of the relevant Performance Period, 100% of that portion of the relevant award shares would become exercisable at the expiry of the relevant holding period explained below, with a straight-line proportion vesting between median and upper quartile ranking being achieved; and
- 50% of the relevant award shares will vest based on growth in adjusted EPS of the Company over the Performance Period. The amount due to vest is determined at the end of the performance period although awards only vest at the end of the subsequent holding period. This determination occurs on achievement of the following EPS ranges (with straight-line interpolation between those targets):

	Financial year assessed	Threshold (25% of that part vesting)	Stretch (100% of that part vesting)
August 2016 award	2018/19	17.5p	22.5p
August 2017 award	2019/20	19p	24p
August 2018 award	2020/21	23p	28p
2019 awards (proposed for the CEO and CFO)	2021/22	27p	33p

All of these targets have been set before considering the impact of IFRS16 and the targets will be assessed on this basis.

Consistent with best practice guidelines, the Committee has discretion to adjust these targets if, in its view, the reported out-turn is unduly impacted by share buy-backs (or equivalent unanticipated transactions) to ensure that participants do not receive an unintended benefit from such transactions.

All of the above awards have a holding period expiring on the fifth anniversary of the date of the grant of the relevant award as will the proposed 2019 awards.

Payments to past Directors and loss of office payments – audited

There were no payments to past Directors or for loss of office in the year ended 30 March 2019.

Directors' shareholding and share interests – audited

Under the remuneration policy, the shareholding guideline for Executive Directors is for a shareholding to be built up and maintained by them of 200% of base salary. Where an Executive Director does not meet the shareholding guideline, they are expected to retain all shares which vest under the LTIP (or any other share plans in the future) after allowing for tax. They will be required to retain shares following their departure from the Group through the retention of LTIP awards subject to any holding period and, depending on the circumstances of departure, any deferred bonuses or other LTIP awards.

The Committee reviews share ownership levels annually. The shareholding guideline requirement is exceeded by the CEO in relation to the interests as referred to in the table below. The CFO was not a shareholder in the Group prior to or on the IPO of the Company in June 2014. The CFO has had one LTIP award granted on 1 August 2014 which vested and was exercised during the period under review. He has retained those shares (except for those allowing for tax on the whole award) toward the guideline requirement. The CFO also has unvested LTIP awards granted on 5 August 2015 and 18 August 2016, and also other unvested LTIP awards which subject to performance conditions being achieved during the course of 2019/20 and following years, will in that event then count toward the guideline requirement on a net of tax basis.

The table below sets out the number of shares held or potentially held by Directors (including their connected persons or related parties where relevant) as at the financial year ended 2018/19.

Director	Shares held beneficially ¹	Unvested options with performance conditions ²	Unvested options not subject to performance	Vested but unexercised awards
Peter Bamford	5,000	–	–	–
Simon Arora	149,880,828	312,099	–	–
Paul McDonald	39,171	218,950	86,143	72,093
Thomas Hübner (retired from the Board 1 May 2019) ³	–	–	–	–
Kathleen Guion	11,111	–	–	–
Ron McMillan	37,037	–	–	–
Harry Brouwer (retired from the Board 14 November 2018)	18,518	–	–	–
Tiffany Hall (appointed to the Board 18 September 2018)	3,050	–	–	–
Carolyn Bradley (appointed to the Board 15 November 2018)	12,192	–	–	–
Gilles Petit (appointed to the Board 2 May 2019)	–	–	–	–

1 Includes any shares held by connected persons or related parties.

2 Nil cost options.

3 Following the year end Thomas Hübner no longer holds any shares.

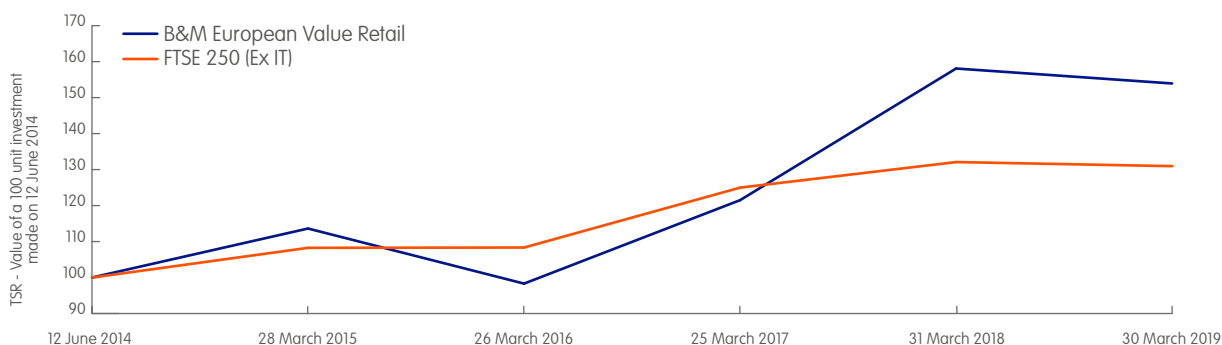
There have been no changes in the Directors' interests in shares in the Company between the end of the 2018/19 financial year and the date of this report.

Performance graph and pay table

The chart below illustrates the Company's Total Shareholder Return ("TSR") performance against the performance of the FTSE 250 Index (excluding investment trusts) of which the Company is a constituent, from 12 June 2014 (the date on which the Company's shares were first conditionally traded).

Total Shareholder Return (Rebased)

Source: Datastream (Thomson Reuters)



This graph shows the value by 30 March 2019 of £100 invested in B&M from 12 June 2014 (the date on which the Company's shares were first conditionally traded) compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts).

Directors' remuneration report continued

Remuneration of the CEO

The table below shows the remuneration of the CEO for each of the last five financial years.

	Single Figure	Bonus as a % of max	LTIP as a % of max
2014/15	£166,606	N/A	N/A
2015/16	£601,638	0%	N/A
2016/17	£1,403,731	76.77%	N/A
2017/18	£1,376,080	68.58%	N/A
2018/19	£1,204,176	46.01%	N/A

Change in remuneration of the Chief Executive

The table below shows the percentage changes in the CEO's remuneration between the financial years ended 31 March 2018 and 30 March 2019 compared to the amounts for UK full time employees of the Group for each of the following elements of pay:

	Salary increase/ (decrease)	Annual bonus increase/ (decrease)	Taxable benefits increase/ (decrease)
CEO	5%	-29.55%	-28.53%
UK full time employees (average) ¹	3.77%	8.43%	10.93%

¹ This includes salaried UK employees.

Relative importance of the spend on pay

The table below shows the movement in spend on pay for all employees compared with distributions to shareholders for the financial years ended 31 March 2018 and 30 March 2019.

£'000	2017/18	2018/19	% change
Total pay for employees	365,396	414,651	13.5%
Distributions to shareholders ¹	63,013	75,042	19.1%

¹ There have not been any buy-backs of shares so this element has been excluded from the above table.

Service contracts and payments for loss of office

The service contract for the CEO is terminable by either the Company or the CEO on 12 months' notice and the service contract for the CFO by either party on 6 months' notice. Each of their service contracts allow for early termination with payment in lieu of notice. There are no enhanced provisions on a change of control under the Executive Directors' service contracts. The service contracts of the Executive Directors are available for inspection at the registered office of the Company. The service contracts are dated 29 May 2014 in relation to the CEO and 2 July 2015 in relation to the CFO.

External appointments

Subject to Board approval, Executive Directors are permitted to take on Non-Executive positions with other companies and to retain their fees in respect of such positions. Simon Arora is a Non-Executive Director of Anglesource Limited. No fees were received by him for that external appointment during the year ended 31 March 2019.

Chairman and Non-Executive Directors

The rates of the fees for the Chairman and Non-Executive Directors were the same in 2018/19 as those set in the 2017/18 financial year.

The rates are in line with the median range compared with FTSE 350 companies generally, but without any premium for the extra time commitment of staying and travelling to Board and Committee meetings which are all held outside the UK. The structure of the fees remains the same as they were set by the Board at the time of the IPO, which take account of Chairmanships of Board Committees and the role of the Senior Independent Director.

All fees are subject to the aggregate fee cap for Directors in the Articles of Association of the Company, which is currently at £1,000,000 per annum.

The Committee has responsibility for determining fees paid to the Chairman of the Board.

Details of the fees which were paid to Non-Executive Directors in 2018/19 and for the prior year are set out in the table on page 55 above. The Chairman and the Non-Executive Directors are entitled to reimbursement of all expenses reasonably incurred by them in the performance of their duties. The Chairman and the Non-Executive Directors do not participate in any bonus or share plans of the Company.

All the Non-Executive Directors of the Company have letters of appointment with the Company for three years subject to three months' notice of termination by either side at any time and subject to annual re-appointment as a Director by the shareholders. The appointment letters provide that no other compensation is payable on termination. The appointment letters of each of Ron McMillan and Kathleen Guion are dated 24 May 2017. Each of Tiffany Hall and Carolyn Bradley's appointment letters are dated 30 July 2018 and Gilles Petit's is dated 17 April 2019. The Chairman's appointment letter is dated 13 November 2017.

Insurance

All of the members of the Board have the benefit of Directors' and Officers' liability insurance which gives them cover for legal action which may arise against them personally except in relation to any fraud or dishonesty.

Remuneration Committee

The members of the Committee during the year were the following independent Non-Executive Directors being, Kathleen Guion (Committee Chair), Ron McMillan, Harry Brouwer (retired 14 November 2018) and Tiffany Hall (appointed 18 September 2018).

The responsibilities of the Committee are set out in the Corporate Governance section of the Annual Report on page 41.

The Committee is assisted by Paul Owen as General Counsel of the Group, who is invited to attend Committee meetings. The Committee invites Peter Bamford as the Chairman of the Board and Simon Arora as the CEO, as and when the Committee considers it appropriate, to attend meetings and assist the Committee in its deliberations. No person is present during any deliberations relating to their own remuneration or is involved in determining their own remuneration.

The attendance of members of the Committee at meetings of it was as follows:

Director	Role	Meetings attended
Kathleen Guion ¹	Committee Chair	3 out of 4
Harry Brouwer ²	Committee Member	2 out of 2
Ron McMillan	Committee Member	4 out of 4
Tiffany Hall ³	Committee Member	2 out of 2

- 1 Kathleen Guion was unable to attend one of the 4 meetings in the year due to a one-off family event, but she ensured that her views were shared with and that there was a dialogue between her and the other members of the Committee in advance of that meeting. Since the IPO of the Company in 2014 she has otherwise had a 100% attendance record every year as the Chair of the Committee.
- 2 Harry Brouwer retired as a Director and member of the Committee on 14 November 2018. He had a 100% attendance record during his period as a member of the Committee in FY2018/19.
- 3 Tiffany Hall was appointed as a Director and member of the Committee on 18 September 2018. She had a 100% attendance record since her appointment as a member of the Committee in FY2018/19.

The effectiveness of the Committee during the year was evaluated as part of a broader board effectiveness review conducted internally and led by the Chairman of the Board, details of which are set out on pages 45 and 46. The overall conclusion of the review was that the Committee remains effective in discharging its functions and reporting to the Board.

Shareholder voting

The resolutions to approve the Directors' remuneration policy and the remuneration report at the 2018 AGM were passed as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	% of shares on register	Votes withheld
To approve the remuneration policy (2018)	766,109,391	98.88	8,714,552	1.12	774,823,943	77.44	0
To approve the remuneration report (2018)	769,586,333	99.35	4,996,568	0.65	774,582,901	77.41	241,043

Advisors to the Committee

FIT Remuneration Consultants LLP ("FIT") has been appointed as remuneration consultants by the Committee. FIT are retained to provide advice on remuneration for the Executive Directors and some other members of the senior management. FIT does not provide any other services to the Group. FIT were appointed by the Committee after appropriate consideration of their experience in this sector.

FIT are a member of the Remuneration Consultants Group and subscribe to its Code of Conduct which requires that its advice must be objective and impartial. For the financial year 2018/19 FIT's total fees were £39,132.74 excluding vat and expenses.

This report has been approved by the Board of Directors of the Company and signed on behalf of the Board by:

Kathleen Guion

Chair of the Remuneration Committee

22 May 2019

Directors' remuneration report continued

Policy Table (from the Directors' Remuneration Policy approved by shareholders at the AGM in 2018)

The table below describes the elements of remuneration paid to the Executive Directors:

Element and purpose	Policy and opportunity	Operation and performance conditions
<p>Base salary This is the basic pay and reflects the individual's role, responsibility and contribution to the Group.</p>	<p>Base salaries are reviewed annually. Changes typically take effect from the beginning of the relevant financial year.</p> <p>On reviews, consideration is given by the Committee to a range of factors including the Group's overall performance, market conditions and individual performance of executives and the level of salary increase given to employees across the Group.</p> <p>Base salaries are benchmarked against companies with a comparable market capitalisation, with base salaries generally being set then by the Committee against a median or lower level.</p> <p>Similarly, in practice the Committee will typically discount the data to recognise that the cost of living in the North West is lower than in some other parts of the UK.</p> <p>Given the requirement under UK regulations for a formal cap, the Committee has limited the maximum salary it may award to £750,000 increasing in line with UK RPI from the date of the 2018 AGM. In practice though the Committee would normally expect to keep it below this level.</p>	<p>Base salary is typically paid 4 weekly in cash.</p> <p>Base salaries are reviewed annually with changes usually taking effect from 1 April. Salaries will increase by 5% from 1 April 2018 and it is envisaged that subsequent increases during the currency of this policy will not normally exceed the average increase awarded to other salaried staff.</p>
<p>Benefits To provide benefits which are valued by the individual and assist them in carrying out their duties.</p>	<p>Provide market competitive benefits.</p> <p>The Group may periodically review benefits available to employees. Executives will generally be eligible to receive those benefits on similar terms to other senior employees.</p> <p>The cost of benefits paid to an Executive in any one year are capped at £75,000, but this may be exceeded in exceptional circumstances if the cost of a benefit were to increase significantly.</p> <p>In addition, where the Committee considers it appropriate to do so, additional relocation expenses for a limited period and/or tax equalisation payments may be paid.</p>	<p>Executives are entitled to a car allowance or a company car, car insurance and other running costs and fuel for business use, death in service life assurance, permanent disability and critical illness insurance and any other Group wide benefits including a 10% B&M stores discount card.</p> <p>Business travel and associated hospitality are provided in the normal course of business and authorised by the Committee on a standing basis.</p>
<p>Pension To provide an appropriate level of contribution to retirement planning.</p>	<p>Provide a market competitive pension contribution (or equivalent cash allowance) of a total maximum value up to 20% of base salary for the current CEO and 15% (or equivalent cash allowance) for other Executive Directors (including any new CEO).</p>	<p>Executives may take pension benefits as contributions to defined contribution personal pension plans, or elect to receive cash in lieu of all or part of that benefit (this is not taken into account as salary for calculating bonus, LTIP or other benefit awards).</p> <p>If the individual elects to receive any part of their pension contribution benefit as a cash allowance instead, employers' NICs are deducted from that element.</p>

Element and purpose**Policy and opportunity****Operation and performance conditions****Annual bonus**

To incentivise and reward individuals for the delivery of annual performance targets.

The proposed annual bonus potential for the CEO is 150% of base salary and 125% of base salary for other Executive Directors. Their threshold bonus levels will be no more than 25% of their respective maxima, and, their target bonus levels 50% of their respective maxima. As the regulations require a formal cap for a three year period, future bonus potential will only increase where appropriate against market data and, in any event, will be subject to an overall maxima of 200% of salary for any Executive Director.

Clawback provisions apply to the annual bonus plan.

Bonuses are paid up to two-thirds in cash and at least one-third in shares with the share element normally contingent on employment for a further three years. Such deferred shares, will be credited on vesting with dividends paid during the vesting period.

The performance measures are reviewed annually by the Committee in line with the Company's strategy.

The performance measures applied may be financial (with at least a 75% weighting on such measures) and/or operational and corporate, divisional and/or individual.

Performance conditions once set will generally remain unaltered, but the Committee has the right in its absolute discretion to make adjustments during any performance period to reflect any events arising which were unforeseen when the performance conditions were originally set by the Committee.

Long-term incentives

To incentivise the delivery of strategic objectives over the longer term, the Group operates the Long-Term Incentive Plan ("LTIP").

The policy is to make awards to Executive Directors of shares with a face value on grant of up to 200% of base salary each year under the LTIP. In practice, it is envisaged that the CEO may receive a grant of up to 200% and other Executive Directors up to 175%.

For grants from 2018 onwards, the LTIP will permit participants to be credited, on the vesting of any awards, with dividends paid during the performance period and any holding period.

Clawback and malus provisions apply to awards made under the LTIP from 29 March 2015 onward.

LTIP awards may, subject to the discretion of the Committee, be made subject to holding periods during which the participant may not dispose of the shares for a period of time after they become exercisable.

Awards may be made annually of nil cost options based on performance conditions.

The Committee may set three year performance conditions based on financial and/or operational and corporate, divisional and/or individual criteria as it considers appropriate.

Performance conditions once set will generally remain unaltered, but the Committee has the right in its absolute discretion to make adjustments during any performance period in case of any events arising which were unforeseen when the performance conditions were originally set by the Committee.

No more than 25% of an award can be earned for threshold performance.

Where a holding period is imposed in the discretion of the Committee in relation to any LTIP award, the default position (unless the Committee determines otherwise) is for the holding period to expire on the fifth anniversary of the date of grant of the relevant award.

Shareholding guidelines

To encourage share ownership and create alignment of interests of Executive Directors and shareholders.

Executive Directors are expected to retain all shares which vest under the LTIP (or any other plans which may be adopted in the future) on a net of tax basis until they hold shares of a specified value.

Shares subject to these guidelines and any unvested share awards may not be hedged or used as security for loans.

The required level of shareholding is 200% of the base salary of the relevant executive.

Executive Directors are expected to maintain their minimum shareholding levels once they have obtained those shareholding levels. The Committee will review shareholdings annually against the policy and as share awards mature.

The Committee reserves the right to alter the shareholding guidelines during the period of the policy but without making the guidelines any less onerous overall.

All-employee share plans

To encourage share ownership by employees and participate in the long-term success of the Group, the Group operates an all-employee share incentive plan for B&M UK employees which was adopted prior to Admission.

Executive Directors can participate in the all-employee share incentive plan ("SIP") on the same terms as other employees of B&M in the UK.

Under the rules of the SIP employees can purchase a maximum of £1,800 worth of shares per annum from their pre-tax and pre-national insurance salary through a UK resident SIP Trust.

The rules also permit an award of free shares worth up to £3,600 per year and for purchased shares to be matched on up to a 2:1 basis although these elements have not been operated to date.

Directors' report and business review

The Directors present their report (the "Management Report") under Luxembourg Law and DTR4.1.5R, together with the consolidated financial statements and annual accounts of the Group and of the Company as at 30 and 31 March 2019 respectively for the accounting periods then ended.

As permitted under Luxembourg Law, the Directors have elected to prepare a single Management Report covering both the Group and the Company. The Strategic Report, Corporate Governance Report and Directors' Remuneration Report on pages 1 to 37, 38 to 51 and 52 to 59 respectively form part of this report.

Company status

B&M European Value Retail S.A. (the "Company") is the holding company of the Group. It was incorporated on 19 May 2014 as a public limited liability company (Société Anonyme) under the laws of the Grand-Duchy of Luxembourg and it is domiciled in Luxembourg. The Company has a premium listing on the London Stock Exchange.

Branches

The Group had no registered external branches during the reporting period.

Principal activity

The principal activity of the Group is variety retailing in the UK, Germany and France. The Company has a corporate office in Luxembourg.

Business review

This report together with the Strategic Report on pages 1 to 37, sets out the review of the Group's business during the financial year ended 30 March 2019, including factors likely to affect the future development and performance of the business and a description of the principal risks and uncertainties the Group faces, and the Strategic Report is incorporated by reference in this report.

Results and dividend

The Group's profit after tax for the financial year ended 30 March 2019 of GBP £202.71m is reported in the consolidated statement of comprehensive income on page 71.

The Board is recommending a final dividend of 4.9p per ordinary share, which together with the interim dividend of 2.7p per ordinary share paid in December 2018 is a total dividend for the year of 7.6p, which reflects the upper end of the dividend policy of paying 30-40% of normalised post-IPO earnings¹.

¹ Dividends are stated as gross amounts before deduction of Luxembourg withholding tax which is currently 15%.

Post balance sheet events

There have been no post balance sheet events that either require adjustment to the financial statements or are important in the understanding of the Group's current position.

Corporate social responsibility

Our CSR activity is set out in the Corporate Social Responsibility Report on pages 32 to 37.

Greenhouse gas emissions

Details of the Group's greenhouse gas emissions are contained in the Corporate Social Responsibility Report on page 37 which forms part of this report.

Employees

The Group has continued its practice of keeping staff informed of matters affecting them as employees through local meetings, company newsletters and notice boards. The Group 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, are not discriminated against on the grounds of their disability and are given full and fair consideration of applications, continuing training while employed and equal opportunity for career development and promotion.

Directors

The Directors of the Company as at 31 March 2019 and their interests in shares and share awards made to them under share incentive schemes in the Company are shown on pages 56 and 57. There have been no changes to the Board of the Company between 31 March 2019 and the date of this report, except for the retirement of Thomas Hübner from the Board with effect from 1 May 2019 and the appointment of Gilles Petit on 2 May 2019.

In accordance with the Articles of Association of the Company, all the Directors will retire at the Annual General Meeting ("AGM") on 26 July 2019. All the retiring Directors, being eligible, will stand for re-election as Directors at that meeting.

Directors' indemnities

The Company's Articles of Association permit the Company to indemnify its Directors in certain circumstances, as well as to provide insurance for the benefit of its Directors. The Company has Director's and Officer's insurance in place in respect of all the Directors. The insurance does not provide cover where a Director has acted fraudulently or dishonestly.

Political donations

No political donations were made in the financial year.

Financial instruments

Details of the Group's objectives and policies on financial risk management, and of the financial instruments currently in use, are set out in note 27 to the consolidated financial accounts.

Share capital

The Company's share capital and changes to it in the financial year, are set out on page 65 below and in note 23 to the consolidated financial statements on page 105 which forms part of this report.

In common with other Luxembourg registered companies, the Directors have authority to allot ordinary shares in the Company and to dis-apply pre-emption rights under certain limits and conditions as permitted under the Articles of Association of the Company. The Directors intend to comply with the Pre-Emption Group's Statement of Principles, in relation to any issue of shares of the Company to the extent practical as a Luxembourg registered company.

The Board intends to seek an authorisation of shareholders at the AGM on 26 July 2019 that the Company, purchase, acquire or receive B&M European Value Retail S.A.'s own shares. This resolution will usually be requested at each AGM. No shares of the Company have been repurchased and no contract to repurchase shares has been entered into at any time since the incorporation of the Company.

Each ordinary share entitles the holder to vote at general meetings of the Company in person or by proxy. Unless otherwise provided by Luxembourg Company Law or the Articles, all decisions by an annual or ordinary shareholders' meeting are taken by a simple majority of votes cast regardless of the proportion of capital represented by shareholders in attendance at the meeting. The notice of the AGM specifies deadlines for exercising voting rights and appointing a proxy to vote.

Holders of ordinary shares may receive a dividend and on liquidation may share in the assets of the Company.

Subject to meeting certain thresholds, holders of ordinary shares may requisition a general meeting of the Company or the proposal of resolutions at general meetings. The rights (including full details relating to voting), obligations and any restrictions on transfers relating to the Company's ordinary shares, as well as the powers of the Directors, are set out in the Articles of Association.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

Employee share ownership trust

The Company established the B&M European Value Retail S.A. Employee Share Ownership Trust with Link Trustees (Jersey) Limited (formerly Capita Trustees Limited) as the trustee in Jersey on 14 October 2014 (the "ESOT") to facilitate the holding of shares in the Company by employees and Executive Directors. The trustee of the trust has waived its right to receive dividends on the Company's shares which it holds from time to time. Where the Company directs at any time that the trustee may vote in relation to any unallocated shares held by it, the trustee has power in its absolute discretion to vote or not to vote in such manner it thinks fit. During the year under review no shares were used from the ESOT to satisfy vested awards made under a share scheme of the Company. As at 31 March 2019 and since that date up to the date of this report, the ESOT did not hold any shares in the Company.

Shareholders

As at 22 May 2019, the following shareholders have notified the Company of their interest in 5% or more of the Company's issued ordinary shares:

Shareholder	No of ordinary shares	% share Capital
SSA Investments S.à r.l.*	149,880,828	14.98

* Includes 8,055,494 shares held by Praxis Nominees Limited on its account.

Amendment to the Articles of Association

The Articles of Association of the Company may only be amended at an extraordinary general meeting of shareholders where at least one half of the issued share capital is represented (or if that condition is not satisfied at a second meeting regardless of the proportion of the issued share capital represented at that meeting) and when adopted by a resolution passed by at least two-thirds of the votes cast.

Change of control

The Company has a senior facilities agreement (the "SFA") in relation to a £300m term loan (which has been drawn in full) and a £150m revolving credit facility. The Group also has an acquisition loan facility (the "ALF") of €100m (of which €93m has been drawn down). The SFA and the ALF provide that on a change of control of the Company, each lender has the right to require early repayment of their loans and to cancel all their commitments under the SFA and the ALF on not less than 10 Business Days' notice to the Company.

The Company has £250m 4.125% senior secured notes due 2022, of which all £250m remain outstanding. On a change of control of the Company, each bondholder has the option to require the Company to repurchase all or part of the notes of such holder at a purchase price of 101% of the principal amount plus accrued interest up to the date of repurchase.

The Group's credit and loan facilities with its banks and fleet finance agreements for HGV's contain customary cancellation and repayment provisions upon a change of control.

Employee share incentive schemes also have customary change of control provisions triggering vesting and exercise on performance conditions being met or (in the discretion of the Company) being waived.

Annual General Meeting

Notices convening the Company's fifth Annual General Meeting ("AGM") to be held on 26 July 2019, will be issued to shareholders. In addition to the ordinary business of the AGM, the Directors are seeking certain other approvals and authorities, details of which are set out in the notice of the AGM.

Corporate governance

The compliance by the Company with the UK Corporate Governance Code and the requirements of article 68ter of the Luxembourg Law on the Trade and Companies Register and Annual Accounts of companies of 19 December 2002, as subsequently amended, are set out in the Principal Risks and Uncertainties on pages 26 to 31, the Corporate Governance report on pages 38 to 51 and the Directors' Remuneration Report on pages 52 to 59, each of which form part of this report.

The Statement of Directors' Responsibilities in relation to the consolidated financial statements and annual accounts of the Group and the unconsolidated financial statements and annual accounts of the Company appears on page 67, which forms part of this report.

Independent auditor

KPMG Luxembourg, Société Cooperative is the independent auditor ("réviseur d'entreprises agréé") of the Company. Their reappointment as the Company's auditor, together with the authority for the Directors to fix the auditor's remuneration, will be proposed at the AGM on 26 July 2019 as set out in the notice.

Information on forward-looking statements

The Annual Report and financial statements include forward-looking statements that reflect the Company's or, as appropriate, the Directors' current views with respect to, among other things the intentions, beliefs and current expectations of the Company or the Directors concerning, amongst other things, the results of operations, the financial condition, prospects, growth, strategies and dividend policy of the Company and the industry in which it operates. Statements that include the words "expects", "intends", "plans", "believes", "projects", "forecasts", "predicts", "assumes", "anticipates", "will", "targets", "aims", "may", "should", "shall", "would", "could", "continue", "risk" and similar statements of a future or forward-looking nature can be used to identify forward-looking statements.

All forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Undue reliance should not be placed on such forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Group's control.

Independence compliance statement

Simon Arora, Bobby Arora, Robin Arora and SSA Investments S.à r.l. ("SSA Holdco") (the "Arora Family") entered into a relationship agreement with the Company at the time of and with effect from the admission of the Company to trading on the London Stock Exchange in June 2014 ("Admission") and which continues to remain in force, which regulates the ongoing relationship between the Company and the Arora Family, following Admission (the "Relationship Agreement").

The principal purpose of the Relationship Agreement is to ensure that the Company and its subsidiaries are capable of carrying on their business independently of the Arora Family (and their associates), and that transactions and relationships between the Group and the Arora Family (and their associates) are at arm's length and on normal commercial terms.

For the purpose of this section of the Annual Report, the terms "controlling shareholder(s)" and "associate(s)" have the same meanings as in the UK Listing Rules.

The Relationship Agreement contains undertakings that the Arora Family and together with their associates, will:

- conduct all transactions and relationships with the Company at arm's length and on normal commercial terms;
- not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and
- not propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules,

(together the "Independence Provisions").

The Relationship Agreement will continue for so long as the Arora Family together with their associates hold 5% or more of the issued ordinary shares of the Company.

In the financial year 2018/19 the following transactions were entered into by the Group with Arora Family related parties (including their associates):

- 3 leases of new stores were entered into by the Group in the UK with Arora Family related parties as landlords of those new stores, representing 5.6% of the total number of 54 gross B&M new store openings of the Group in the UK in that period; and
- 1 agreement for lease was conditionally exchanged by the Group with Arora Family related parties as landlords, which has been completed as a new store opening following the financial year end; and
- also during the year under review there were 5 renewals of leases of existing stores between the Group and Arora Family related party landlords which were made ahead of the expiry of the existing lease terms.

The total number of leases of UK stores and rents of the Group with Arora Family related parties as at the end of the period under review were 78 store leases, representing 12.6% of a total number of 620 UK B&M stores of the Group with all landlords, and 13.9% of the overall rent roll of all UK B&M stores as at the year end.

The Group's joint venture sourcing company, Multi-lines International Company Ltd, agreed terms during the financial year 2017/18 for the entry into a lease with Arora Family related party landlords of an additional floor in the high rise building which Multi-lines presently occupies in Kowloon Bay Hong Kong, for further office and operational use. That lease was completed in June 2018.

In the financial year under review the Board approved a block of up to a maximum of 25 hours per annum of flights for business travel by executives and colleagues, with the third party operator of the private jet owned by Arora family interests. In the year a total of 8.4 hours were used out of a block of 12.5 hours purchased by the Company. The unused 4.1 hours have been carried forward to the financial year 2019/20.

A summary of the corporate governance and Listing Rules processes and assessments undertaken by the Group and the Board together with reports of advisors and the opinion of the Sponsor, in relation to related party leases, is included on page 44 of the Corporate Governance Report.

Further details of related party transactions are included also in note 28 of the Financial Statements on page 111.

The Board confirms that during the financial year 2018/19:

- the Company has complied with the Independence Provisions included in the Relationship Agreement;
- so far as the Company is aware, the Independence Provisions included in the Relationship Agreement have been complied with by the controlling shareholder and its associates;
- so far as the Company is aware, the procurement obligations in the Relationship Agreement have been complied with by the controlling shareholder and its associates;

and that the Company has acted independently of the Arora Family (and their associates).

The Board confirms that this statement is supported by each of the independent Directors of the Company and there have been no instances where any of them declined to support this statement.

In accordance with Article 13.10 of the Articles of Association of the Company a report will be made at the 2019 AGM of transactions with the Company or its subsidiary undertakings in which any Directors may have had an interest, including each of the related party transactions with Directors (or in which they may have directly or indirectly had an interest) entered into in the financial year 2018/19 referred to above and in note 28 of the Financial Statements on page 111, together with any other such transactions entered into after the financial year end on 31 March 2019 up to the date of the AGM, similarly to all other previous AGM's of the Company.

Article 11 report

The following disclosures are made in accordance with Article 11 of the Luxembourg Law on Takeovers of 19 May 2006, as subsequently amended, and form part of this Directors' Report.

Section (a) – Share capital structure

B&M European Value Retail S.A. has issued one class of shares only, being ordinary shares which are admitted to trading on the London Stock Exchange. No other shares have been issued by B&M European Value Retail S.A. The issued share capital of B&M European Value Retail S.A. as of 31 March 2019 amounts to GBP £100,056,122.20 represented by 1,000,561,222 shares with a nominal value of GBP £0.10 each. B&M European Value Retail S.A. has a total unissued authorised share capital of GBP £297,166,100. All shares issued by B&M European Value Retail S.A. have equal rights as set out in the Articles of Association of the Company.

Section (b) – Transfer restrictions

As at the date of this report, all B&M European Value Retail S.A. shares are freely transferable subject to the conditions set out in Article 6.3 of the Articles of Association of the Company.

Section (c) – Major shareholdings

Details of shareholders holding more than 5% of the issued share capital of B&M European Value Retail S.A. notified to B&M European Value Retail S.A. in accordance with the Luxembourg law on transparency obligations of securities issuers dated 11 January 2008 as amended are set out on page 63.

Section (d) – Special control rights

All the issued and outstanding shares of B&M European Value Retail S.A. have equal voting rights and there are no special control rights attached to shares of B&M European Value Retail S.A., except that B&M European Value Retail S.A. can direct that shares held in the ESOT be applied by the trustee to satisfy the vesting of outstanding awards under its long-term incentive plan or any other employee share schemes established by the Group.

Section (e) – Control system on employee share scheme

B&M European Value Retail S.A. is not aware of any matters regarding section (e) of Article 11 of the Luxembourg Law on Takeovers of 19 May 2006, as subsequently amended, save where referred to in section (d) above.

Section (f) – Voting rights

Each share issued and outstanding in B&M European Value Retail S.A. represents one vote. The Articles of Association of the Company do not provide for any voting restrictions. In accordance with the Articles of Association shareholders may be represented and proxies shall be received by the Company at a certain time before the date of the relevant meeting. In accordance with the Articles of Association, the Board of Directors may determine such other conditions that must be fulfilled by shareholders in person or by proxy. Additional provisions may apply under Luxembourg Law. Luxembourg legislation requires shareholders to register their intention to vote at least 14 days before the date of the meeting (the "Record Date"). In accordance with Article 24.6.12 of the Articles of Association, the right of a shareholder to participate in a general meeting and to exercise the voting rights attached to its shares are determined by reference to the number of shares held by such shareholder at midnight on the Record Date. In accordance with article 28 of the Luxembourg law on transparency obligations of securities issuers dated 11 January 2008 as amended ("Luxembourg Transparency Law"), as long as the notice of crossing a major shareholding in the Company has not been notified to the Company in the manner prescribed, the exercise of the voting rights relating to those shares which exceed the threshold that should have been notified is suspended. The suspension of the voting rights is lifted when the shareholder makes the notification provided for in the Luxembourg Transparency Law.

Section (g) – Shareholders' agreements with transfer restrictions

B&M European Value Retail S.A. has no information about any agreements between shareholders which may result in restrictions on the transfer of securities or voting rights.

Section (h) – Appointment of Board members, amendment of Articles of Association

The appointment and replacement of Board members and the amendment of the Articles of Association of the Company are governed by Luxembourg Law and the Articles of Association (in particular Article 10 and Article 24.6). The Articles of Association are published under the Investors section on the Company's website at www.bandmretail.com.

The Articles of Association of the Company may only be amended at an extraordinary shareholders' meeting where at least one half of the issued share capital is represented (or if that condition is not satisfied at a second meeting regardless of the capital represented at that meeting) and when adopted by a resolution passed by at least two-thirds of the votes cast.

Section (i) – Powers of the Board of Directors

The Board of Directors is vested with the broadest powers to take any action necessary or useful to realise the purposes of the Company with the exception of the powers reserved to the general meeting of shareholders by the Luxembourg Law on Commercial Companies dated 10 August 1915, as subsequently amended, and by the Articles of Association.

Section (j) – Powers of the Board of Directors continued

In common with other Luxembourg public companies, the authority of the Board to issue ordinary shares on a non-pre-emptive basis is set out in the Articles of Association of the Company. The Articles of Association authorise the Directors to dis-apply pre-emption rights (a) for the issue for cash of shares representing up to a maximum of 5% (five per cent) of the issued ordinary share capital of the Company per year; (b) to deal with fractional entitlements on otherwise pre-emptive issues of shares; (c) in connection with employee share options, and, also (d) for the issue for cash of shares representing up to an additional 5% (five per cent) of the issued ordinary share capital per year which can be used only for the purposes of financing (or refinancing, if the authority is to be used within six (6) months of the original transaction) an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group of the Financial Reporting Council. The Board intends to follow the Statement of Principles to the extent practical as a Luxembourg company. The present five (5) year authority in Article 5.2 of the Articles of Association will expire on 29 July 2023.

The Board was authorised by the AGM of shareholders held on 30 July 2018, in the name and on behalf of the Company, to purchase, acquire or receive B&M European Value Retail S.A.'s own shares representing up to 10% (ten percent) of the issued share capital from time to time of B&M European Value Retail S.A. on such terms as the Board may decide in accordance with the law. No shares were purchased pursuant to this authority in the year under review or since then up to the date of this report.

The Board intends to seek a renewal of this authority for the Company to purchase its shares, at the AGM of the shareholders on 26 July 2019. This resolution will usually be requested at each AGM.

Section (j) – Significant agreements or essential business contracts

The Board of Directors is not aware of any significant agreements to which B&M European Value Retail S.A. is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid other than: (a) the Company has a senior facilities agreement (the "SFA") in relation to a £300m term loan (which has been drawn in full) and a £150m revolving credit facility. The Group also has an acquisition loan facility (the "ALF") of €100m (of which €93m has been drawn down). The SFA and the ALF provide that on a change of control of the Company, each lender has the right to require early repayment of their loans and to cancel all their commitments under the SFA and the ALF on not less than 10 Business Days' notice to the Company; (b) the Company has £250m 4.125% senior secured notes due 2022, of which all £250m remain outstanding. On a change of control of the Company, each bondholder has the option to require the Company to repurchase all or part of the notes of such holder at a purchase price of 101% of the principal amount plus accrued interest up to the date of repurchase; (c) the Group has credit and loan facilities with its banks and fleet finance agreements for HGV's, which contain customary cancellation and repayment provisions upon a change of control and (d) Employee share incentive schemes in relation to shares in the Company, have customary change of control provisions triggering vesting and exercise on performance conditions being met or (in the discretion of the Company) being waived.

Section (k) – Agreements with Directors and employees

No agreements exist between B&M European Value Retail S.A. and its Directors or employees which provide for compensation if Directors or employees resign or are made redundant without valid reason, or if their employment ceases because of a takeover bid other than as disclosed in the Directors' Remuneration Report on page 58.

Approved by order of the Board

Simon Arora
Chief Executive Officer

Paul McDonald
Chief Financial Officer

22 May 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and applicable law and have prepared the Company financial statements in accordance with Luxembourg legal and regulatory requirements regarding the preparation of annual accounts ("Lux GAAP").

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 Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present the financial statements and policies in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- provide additional disclosures when compliance with the specific requirements in IFRSs or in accordance with Lux GAAP are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with company law. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for preparing the Annual Report in accordance with applicable laws and regulations. Having taken advice from the Audit & Risk Committee the Directors consider the Annual Report and the financial statements taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The financial statements are published on the Company's website.

Legislation in Luxembourg governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the consolidated financial statements of B&M European Value Retail S.A. ("Company") presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted in the European Union give a true and fair view of the assets, liabilities, financial position, cash flows and profits of the Company and the undertakings included within the consolidation taken as a whole;
- the annual accounts of the Company presented in this Annual Report and established in conformity with the Luxembourg legal and regulatory requirements relating to the preparation of annual accounts give a true and fair view of the assets, liabilities, financial position and profits of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces; and
- this Annual Report (including the financial statements), taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approved by order of the Board.

Simon Arora
Chief Executive Officer

Paul McDonald
Chief Financial Officer

22 May 2019

Independent Auditor's Report

To the Shareholders of B&M European Value Retail S.A. 9, allée Scheffer L-2520 Luxembourg

Report of the Réviseur d'Entreprises agréé

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of B&M European Value Retail S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 30 March 2019, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 52-week period then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 March 2019, and of its consolidated financial performance and its consolidated cash flows for the 52-week period then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence, accuracy and valuation of inventory

Why the matter was considered to be one of the most significant in our audit of the annual accounts of the current period

The Group has significant levels of inventory due to its retail operations. As per the Consolidated Statement of Financial Position the balance is £665.7 million at year end.

Given the high volume and broad range of inventory held, there is a risk that quantities of warehouse and retail store inventories could be incorrectly included. Controls over stock counts in both warehouses and retail stores are themselves manual in nature.

We focused on the existence and accuracy of inventory because of the significant number of movements in and out of stock at both warehouses and retail stores and the manual nature of controls

Per the Inventory accounting policy in note 1, inventories are valued at the lower of cost or net realisable value. Changing customer preferences, spending patterns and the seasonality of sales all impact the level of inventory held and the rate of inventory turnover.

We focused on the valuation of inventory because of the significant judgements and estimates required by management when assessing the level of the provision required. These relate primarily to shrinkage and net realisable value provisions.

The significance of the inventory balance in relation to the Consolidated Statement of Financial Position, coupled with the significant judgments required by management, has caused us to identify inventory existence, accuracy and valuation as a key audit matter.

How the matter was addressed in our audit

Our procedures over the existence and accuracy of inventory included, but were not limited to:

- Assessing the design and implementation of the count procedures through attendance at a sample of inventory counts;
- Reconciling the quantity per the inventory counts attended to the year end inventory balance for a sample of inventory lines at both warehouse and retail stores;
- Selecting a sample of stock lines to assess whether the counted quantities agree to quantities in the stock system.

Our procedures over the valuation of inventory included, but were not limited to:

- Obtaining a detailed understanding and evaluating the design and implementation of key controls that the Group has surrounding inventory valuation.
- Evaluating the appropriateness of management's judgements and assumptions applied in arriving at the value of inventory by:
 - Assessing the value of a sample of inventory lines to confirm whether it is held at lower of cost or net realisable value, through comparison to sales receipts and latest purchase invoice;
 - On a sample basis of inventory lines, recalculating the weighted average cost to test whether the cost has been updated correctly based on the latest sale and purchase movement.
 - Understanding the inventory provisioning policy with specific consideration to net realisable value and slow moving stock;
 - Testing the accuracy of the net realisable value and shrinkage provisions by performing a recalculation of and testing a sample of the underlying inputs of the provision calculation to supporting documentation;
 - Analysing the year-end stock value against total sales during the year on a line by line basis to assess whether there are any indicators that items may be overstocked and using this as a basis to consider the adequacy of the slow moving stock provision.

Why the matter was considered to be one of the most significant in our audit of the annual accounts of the current period

How the matter was addressed in our audit

Acquisition accounting: Babou

In 2018 the Group acquired 100% of the share capital of Paminvest SAS trading under "Babou" in France for a total consideration of €90.1 million. The details of the transaction are disclosed in note 7 Business combination.

The acquisition method of accounting for business combinations is a complex and judgemental exercise, requiring the Group to determine the fair value of assets acquired and liabilities assumed and consideration transferred.

Due to the size of the transaction and the significant judgement and complexities involved in determining the fair value of assets acquired and liabilities assumed, we considered the acquisition accounting as a key audit matter.

Our procedures over the acquisition of Babou included, but were not limited to:

- Analysing the share purchase agreement to confirm the total consideration payable;
- Agreeing the payments made to bank statements;
- Reviewing the work undertaken by specialists engaged by the Group and involving our own valuation specialists in challenging the judgements made by management over the key assumptions applied in the valuation of intangible assets acquired in the Babou acquisition;
- Tracing a sample of rental amounts payable to lease agreements for the favourable and unfavourable leases identified.

Fraud risk over Revenue recognition

The Group's Revenue amounts to £3.5 billion as per the Consolidated Statement of Comprehensive Income and is mainly derived from the sale of goods to customers. Retail revenue is recognised at the initial point of sale of goods to customers.

Although Revenue recognition is considered to be relatively straight forward on a transactional level, the high volume of transactions makes it more susceptible to fraud and error.

Revenue is a key performance indicator of the Group and is, therefore, subject to an inherent risk of manipulation by management to meet targets or expectations. This, together with the significance of the balance relative to other captions in the Consolidated Statement of Comprehensive Income, has led us to identify it as a key audit matter.

Our procedures over Revenue recognition included, but were not limited to:

- Obtaining a detailed understanding and evaluating the design and implementation of key controls that the Group has surrounding Revenue recognition;
- Reconciling cash and credit card receipts related to revenue from sales made in stores and investigating outliers identified in this process;
- Assessing revenue trends throughout the year and investigating any unusual variances;
- Analysing sales by store for the days pre- and post-year-end to assess whether sales were recorded in the correct period;
- Analysing post year-end returns and credit notes to agree that sales have been recognised in the correct period and to determine if a returns' provision is required;
- Journal entry testing focused on manual journal entries as well as entries with an unexpected contra-account.

Hedge accounting

The Group's hedging reserve amounts to £1.9 million and reported a net change of fair value of £16.5 million per the Consolidated statement of changes in shareholders' equity.

Per the Financial Instruments policy in note 1, the Group adopts hedge accounting for a high proportion of its foreign currency inventory purchases. The amount of fair value movement recorded through other comprehensive income rather than income statement is determined by effectiveness testing.

Hedge accounting is inherently complex and requires a degree of judgement in determining highly probable forecast cash flows.

IFRS 9 "Financial Instruments" is mandatory for the first time in 2019. The first year of adoption inherently carries a risk of error.

This, together with the judgement involvement in assessing effective testing has led us to identify hedge accounting as a key audit matter

Our procedures over Hedge accounting included, but were not limited to:

- Reviewing and corroborating the Group's hedging strategy, and reviewing the documentation in place for derivatives, including assessing whether it is in accordance with IFRS9;
- Involving treasury specialists to assist us in our assessment as to whether hedge accounting can be applied, and using valuation specialists to value the open forward contracts at year end;
- Reviewing management's calculations to adjust the valuation of inventories based on hedged effectiveness;
- Reviewing retrospective effectiveness testing, challenging management on their conclusion that they can forecast transactions to meet the "highly probable" criteria in IFRS 9 and reviewing management's prospective effectiveness testing.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for assessing the Group's financial reporting process.

Independent Auditor's Report

To the Shareholders of B&M European Value Retail S.A. 9, allée Scheffer L-2520 Luxembourg
continued

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 30 July 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The management report on pages 62 to 66 is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 40 to 47. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 22 May 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé
Thierry Ravasio

Consolidated statement of comprehensive income

Period ended	Note	52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
Revenue	2,4	3,486,295	3,029,802
Cost of sales		(2,296,861)	(2,000,927)
Gross profit		1,189,434	1,028,875
Administrative expenses		(925,058)	(789,072)
Operating profit	5	264,376	239,803
Share of profits in associates	13	775	1,711
Profit on ordinary activities before net finance costs and tax	3	265,151	241,514
Finance costs	6	(25,951)	(23,948)
Finance income	6	369	182
Gain on revaluation of financial instruments	6,20	9,857	11,568
Profit on ordinary activities before tax		249,426	229,316
Income tax expense	11	(46,717)	(43,511)
Profit for the period	2	202,709	185,805
Attributable to non-controlling interests		(2,445)	(78)
Attributable to owners of the parent		205,154	185,883
Other comprehensive income for the period			
Items which may be reclassified to profit and loss:			
Exchange differences on retranslation of subsidiary and associate investments		(2,285)	205
Fair value movement as recorded in the hedging reserve		19,996	(15,659)
Items which will not be reclassified to profit and loss:			
Actuarial gain on the defined benefit pension scheme		5	21
Tax effect of other comprehensive income	11	(3,481)	2,470
Total comprehensive income for the period		216,944	172,842
Attributable to non-controlling interests	29	(2,805)	119
Attributable to owners of the parent		219,749	172,723
Earnings per share			
Basic earnings per share attributable to ordinary equity holders (pence)	12	20.5	18.6
Diluted earnings per share attributable to ordinary equity holders (pence)	12	20.5	18.6

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

Consolidated statement of financial position

As at	Note	30 March 2019 £'000	31 March 2018 £'000
Assets			
Non-current			
Goodwill	14	949,606	929,718
Intangible assets	14	126,559	120,962
Property, plant and equipment	15	389,952	308,653
Investments in associates	13	6,920	5,140
Other receivables	17	10,989	3,187
Deferred tax asset	11	9,195	5,654
		1,493,221	1,373,314
Current assets			
Cash at bank and in hand	18	86,202	90,816
Inventories	16	670,721	558,690
Trade and other receivables	17	71,640	34,042
Other financial assets	20	6,294	–
Income tax receivable		3,781	–
		838,638	683,548
Total assets		2,331,859	2,056,862
Equity			
Share capital	23	(100,056)	(100,056)
Share premium		(2,474,249)	(2,474,249)
Retained earnings		(458,132)	(327,073)
Hedging reserve		(1,984)	14,532
Legal reserve		(10,010)	(10,000)
Merger reserve		1,979,131	1,979,131
Foreign exchange reserve		(5,909)	(7,833)
Put/call option reserve		13,855	13,855
Non-controlling interest		(10,887)	(13,692)
		(1,068,241)	(925,385)
Non-current liabilities			
Interest bearing loans and borrowings	21	(562,941)	(558,426)
Finance lease liabilities	25	(7,104)	(7,306)
Other financial liabilities	20	–	(19,209)
Other liabilities	19	(92,891)	(87,130)
Deferred tax liabilities	11	(27,148)	(24,495)
Provisions	22	(374)	(379)
		(690,458)	(696,945)
Current liabilities			
Interest bearing loans and borrowings	21	(124,272)	(47,212)
Overdrafts	18	(5,646)	(6,112)
Trade and other payables	19	(395,966)	(336,072)
Finance lease liabilities	25	(3,630)	(1,870)
Other financial liabilities	20	(13,731)	(16,666)
Income tax payable		(23,197)	(19,677)
Provisions	22	(6,718)	(6,923)
		(573,160)	(434,532)
Total liabilities		(1,263,618)	(1,131,477)
Total equity and liabilities		(2,331,859)	(2,056,862)

The accompanying accounting policies and notes form an integral part of these consolidated financial statements. This consolidated statement of financial position was approved by the Board of Directors and authorised for issue on 22 May 2019 and signed on their behalf by:

Simon Arora,
Chief Executive Officer

Consolidated statement of changes in shareholders' equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Hedging reserve £'000	Legal reserve £'000	Merger reserve £'000	Foreign exch. reserve £'000	Put/call option reserve £'000	Non-control. interest £'000	Total Shareholders' equity £'000
Balance at 25 March 2017	100,000	2,472,482	204,077	(1,350)	10,000	(1,979,131)	7,825	(13,855)	13,573	813,621
Dividend payments to owners	–	–	(63,013)	–	–	–	–	–	–	(63,013)
Effect of share options	56	1,767	112	–	–	–	–	–	–	1,935
Total transactions with owners	56	1,767	(62,901)	–	–	–	–	–	–	(61,078)
Profit/(loss) for the period	–	–	185,883	–	–	–	–	–	(78)	185,805
Other comprehensive income	–	–	14	(13,182)	–	–	8	–	197	(12,963)
Total comprehensive income for the period	–	–	185,897	(13,182)	–	–	8	–	119	172,842
Balance at 31 March 2018	100,056	2,474,249	327,073	(14,532)	10,000	(1,979,131)	7,833	(13,855)	13,692	925,385
Allocation to legal reserve	–	–	(10)	–	10	–	–	–	–	–
Dividend payments to owners	–	–	(75,042)	–	–	–	–	–	–	(75,042)
Effect of share options	–	–	954	–	–	–	–	–	–	954
Total transactions with owners	–	–	(74,088)	–	–	–	–	–	–	(74,088)
Profit/(loss) for the period	–	–	205,154	–	–	–	–	–	(2,445)	202,709
Other comprehensive income	–	–	3	16,516	–	–	(1,924)	–	(360)	14,235
Total comprehensive income for the period	–	–	205,157	16,516	–	–	(1,924)	–	(2,805)	216,944
Balance at 30 March 2019	100,056	2,474,249	458,132	1,984	10,010	(1,979,131)	5,909	(13,855)	10,887	1,068,241

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

Consolidated statement of cash flows

Period ended	Note	52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
Cash flows from operating activities			
Cash generated from operations	24	259,446	241,993
Income tax paid		(47,271)	(43,996)
Net cash flows from operating activities		212,175	197,997
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(103,652)	(111,268)
Purchase of intangible assets	14	(2,654)	(3,362)
Business acquisitions net of cash acquired	7	(75,879)	(106,436)
Acquisition of shares in associates	13	(1,200)	–
Sale of shares in associates	13	–	310
Proceeds from sale of property, plant and equipment		563	554
Finance income received		369	182
Dividends received from associates	13	570	1,149
Net cash flows from investing activities		(181,883)	(218,871)
Cash flows from financing activities			
Receipt of bank loans	21	78,984	–
Net receipt of Group revolving bank loans		(5,000)	45,000
Net repayment of Heron facilities		(2,298)	(9,790)
Net repayment of Babou facilities		(5,742)	–
Finance costs paid		(21,476)	(20,192)
Receipt from exercise of employee share options		–	1,320
Capitalised fees on refinancing		(935)	(1,647)
Dividends paid to owners of the parent	33	(75,042)	(63,013)
Repayment of finance lease		(2,931)	(1,651)
Net cash flows from financing activities		(34,440)	(49,973)
Net increase in cash and cash equivalents		(4,148)	(70,847)
Cash and cash equivalents at the beginning of the period		84,704	155,551
Cash and cash equivalents at the end of the period		80,556	84,704
Cash and cash equivalents comprise:			
Cash at bank and in hand	18	86,202	90,816
Overdrafts		(5,646)	(6,112)
		80,556	84,704

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

Notes to the consolidated financial statements

1 General information and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The Group's trade is general retail, with trading taking place in the UK, France and Germany. The Group has been listed on the London Stock Exchange since June 2014.

The consolidated 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 Group are set out below and have been applied consistently throughout the consolidated financial statements.

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

The consolidated financial statements cover the 52 week period from 1 April 2018 to 30 March 2019 which is a different period to the parent company stand alone accounts (from 1 April 2018 to 31 March 2019). This exception is permitted under article 330 (2) of the Luxembourg company law of 10 August 1915 as amended as the Directors believe that;

- the consolidated financial statements are more informative when they cover the same period as used by the main operating entity, B&M Retail Ltd; and
- that it would be unduly onerous to rephrase the year end in this subsidiary to match that of the parent company.

The year end for B&M Retail Ltd, in any year, would not be more than six days prior to the parent company year end.

B&M European Value Retail S.A. (the "Company") is the head of the Group and there is no consolidation that takes place above the level of this company.

The principal accounting policies of the Group are set out below.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings, together with the Group's share of the net assets and results of associated undertakings, for the period from 1 April 2018 to 30 March 2019. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. The results of companies acquired are included in the consolidated statement of comprehensive income from the acquisition date.

During the year, on 19 October 2018, the Group acquired Paminvest SAS, a discount general merchandise retailer group operating under the trading name Babou in France ("Babou"). Babou has been consolidated in the Group accounts from this date. For more details see note 7.

During the prior year, on 2 August 2017, the Group acquired Heron Food Group Limited ("Heron"), a convenience retailer incorporated in the UK. Heron has been consolidated in the Group accounts from this date. For more details see note 7.

During the prior year the Group incorporated two new entities, Retail Industry Apprenticeships Limited (incorporated in the UK) and Bedford DC Investments Limited (incorporated in Jersey). Both have been consolidated from their incorporation date. See note 26 for a full list of the constituent Group entities.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- exposure, or rights, to variable returns from its involvement with the investee, and,
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangements with the other vote holders of the investee,
- rights arising from other contractual arrangements, and,
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary, excluding the situations as outlined in the basis of preparation.

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

Going concern

As a value retailer, the Group is well placed to withstand volatility within the economic environment. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance show that the Group will trade within its current banking facilities for the next twelve months.

Included within these forecasts is the proposed sale & leaseback of the new Southern warehouse. If this does not occur, then the Group also has the unconditional ability to extend the Babou acquisition loan facility when it is due for repayment in October 2019, for a further 12 months.

After making enquiries, the Directors are confident that the Group has adequate resources to continue its successful growth. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Note also that viability and going concern statements have been made in the "Principal risks and uncertainties" section of this annual report.

Revenue

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

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

In the vast majority of cases the Group'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.

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

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

Revenue is the total amount receivable by the Group 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 include all running costs of the business, except those relating to inventory (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, such as material restructuring costs, may be separated as a line item.

Goodwill

Goodwill is initially measured at cost, being the excess of the fair value of consideration transferred over the fair value of the net identifiable assets acquired and liabilities assumed at the date of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the relevant cash-generating units (CGUs) that are expected to benefit from the combination.

Goodwill is tested for impairment at each year end and at any time where there is any indication that it may be impaired. Internally generated goodwill is not recognised as an asset.

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

Alternative performance measures

The Group reports a selection of alternative performance measures as detailed below and in note 3, as the Directors believe that these measures provide additional information that is useful to the users of our accounts.

The alternative performance measures we report in these accounts are:

- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Adjusted EBITDA
- Adjusted Profit
- Adjusted Earnings per share

Interest, tax, depreciation and amortisation are as defined statutorily whilst the items we adjust for are those we consider not to be reflective of the underlying performance of the business as detailed in note 3. These adjustments relate to the effect of ineffective derivatives and foreign exchange on intercompany balances, which do not relate to underlying trading, and costs incurred in relation to acquisitions, which are non-recurring and do not relate to underlying trading.

The alternative performance measures used are not measures of performance or liquidity under IFRS and should not be considered in isolation or as a substitute for measures of profit, or as an indicator of the Group's operating performance or cash flows from operating activities as determined in accordance with IFRS.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition-related costs are expensed depending on their nature with costs of raising finance amortised over the term of the relevant element of finance provided and the remainder expensed when incurred.

Brands

Brands acquired by the business are amortised if the corresponding agreement is specifically time limited, or if the fair valuation exercise (carried out for brands acquired via business combinations) identifies a fair lifespan for the brand. This amortisation is charged to administrative expenses.

Otherwise, brands are considered to have an indefinite life on the basis that they form part of the cash generating units within the Group which will continue in operation indefinitely, with no foreseeable limit to the period over which they are expected to generate net cash inflows.

Where brands are considered to have an indefinite life they are reviewed at least annually for impairment or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly with the write down charged to administration expenses.

Intangible assets

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

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

Computer software acquired	–	3 or 4 years
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Previously the Group amortised computer software over a period of four years. There has been a change in this policy during the year following the acquisition of Babou and given the common practice of amortising computer related items over 3 years in France. This has not affected the rest of the Group as management believes the range 3-4 years to be reasonable.

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 the income statement.

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

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

Depreciation

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

Leasehold buildings	–	Life of lease (max 50 years)
Freehold buildings	–	2-4% straight line
Plant, fixtures and equipment	–	10% – 33% straight line
Motor vehicles	–	12.5% – 33% straight line

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

There has been a minor change to the policy since the prior year regarding the rates for computer equipment (within the Plant, fixtures and equipment category). In line with common practice in France the Group now allows items of computer equipment to be depreciated at 3-4 years (previously 4 years). This does not affect the existing items in the remainder of the Group.

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.

Investments in associates

Associates are those entities over which the Group has significant influence but which are neither subsidiaries nor interests in joint ventures. Investments in associates are recognised initially at cost and subsequently accounted for using the equity method. However, any goodwill or fair value adjustment attributable to the Group's share of associates is included in the amount recognised as investment in associates.

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

All subsequent changes to the share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported in "share of profits of associates" in the consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortisation and impairment of the fair value adjustments of assets and liabilities.

Items that have been recognised directly in the associate's other comprehensive income are recognised in the consolidated other comprehensive income of the Group. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the consolidated financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

During the year the Group has acquired a new associate, Centz Retail Holdings Limited, based in Ireland. See note 13 for more details.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required (for goodwill or indefinite life assets), the Group estimates the asset's recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's cash generating units (CGU's) to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Indications of impairment might include (for goodwill and the brand assets, for instance) a significant impairment to the like for like sales of established stores, sustained negative publicity or a drop off in visits to our website and social media accounts.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill and acquired brands with indefinite lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement, except for impairment of goodwill which is not reversed.

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 or the arrangement conveys a right to use the asset or assets even if that right is not explicitly specified in an arrangement.

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 in the income statement 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 Group 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 incentives

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 recorded in receivables or payables as appropriate.

Favourable and unfavourable leases

Upon acquisition of a subsidiary a fair value review is performed to determine if certain leases held are favourable or unfavourable to the business when compared to an estimate of the underlying market rate. To the extent that a lease is determined to be favourable or unfavourable a balance is recognised in receivables or payables and then released over the remaining lease term as part of the rent charge for that lease.

Also see note 31 for a note on the implementation of IFRS 16 from 31 March 2019.

Onerous leases

The Group carries a property provision which relates to leasehold property where an exit can be reasonably expected to occur, and the relevant lease is considered to be onerous.

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

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

Inventories

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

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 Group operates share option schemes, 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 10 for more details.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income. 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, except:

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

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

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

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

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

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

Financial instruments

The Group 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 Group'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 through 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 Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information. The Group 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 Group 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.

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 Group 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 Group'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 derivatives 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 Group. Gains or losses on liabilities held-for-trading are recognised in profit and loss.

Other financial liabilities

After initial recognition, interest bearing loans and borrowings, trade and other payables and other liabilities 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 finance costs.

Derecognition

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to mark-to-market valuations obtained from the relevant bank (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Cash and cash equivalents

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

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess of the consideration made for the shares, over and above the nominal valuation of those shares;
- "Legal reserve" representing the statutory reserve required by Luxembourg law as an apportionment of profit within each Luxembourg company (up to 10% of the standalone share capital);
- "Hedging reserve" representing the fair value of the derivatives held by the Group at the period end that are accounted for under hedge accounting and that represent effective hedges;
- "Merger reserve" representing the reserve created during the reorganisation of the Group in 2014;
- "Retained earnings reserve" represents retained profits;
- "Put/call option reserve" representing the initial valuation of the put/call option held by the Group over the non-controlling interest of J.A. Woll Handels GmbH (Jawoll);
- "Foreign exchange reserve" represents the cumulative differences arising in retranslation of the subsidiaries results;
- "Non-controlling interest" representing the portion of the equity which belongs to the non-controlling interest in the Group's subsidiaries.

Foreign currency translation

These consolidated financial statements are presented in pounds sterling.

The following Group companies have a functional currency of pounds sterling;

- B&M European Value Retail S.A.
- B&M European Value Retail 1 S.à r.l. (Lux Holdco)
- B&M European Value Retail Holdco 1 Ltd (UK Holdco 1)
- B&M European Value Retail Holdco 2 Ltd (UK Holdco 2)
- B&M European Value Retail Holdco 3 Ltd (UK Holdco 3)
- B&M European Value Retail Holdco 4 Ltd (UK Holdco 4)
- Bedford DC Investments Limited
- EV Retail Ltd
- B&M Retail Ltd
- Opus Homewares Ltd
- Retail Industry Apprenticeships Ltd
- Heron Food Group Ltd
- Heron Foods Ltd
- Cooltrader Ltd
- Heron Properties (Hull) Ltd

The following Group companies have a functional currency of the Euro;

- B&M European Value Retail 2 S.à r.l. (SBR Europe)
- B&M European Value Retail Germany GmbH (Germany Holdco)
- J.A. Woll Handels GmbH (Jawoll)
- Jawoll Vertriebs GmbH
- Paminvest SAS
- SAS Babou
- Babou Relationship Partners – BRP SAS

Notes to the consolidated financial statements continued

1 General information and basis of preparation continued

The Group companies whose functional currency is the Euro have been consolidated into the Group via retranslation of their results in line with IAS 21 Effects of Changes in Foreign Exchange Rates. The assets and liabilities are translated into pounds sterling at the year end exchange rate. The revenues and expenses are translated into pounds sterling at the average monthly exchange rate during the period. Any resulting foreign exchange difference is cumulatively recorded in the foreign exchange reserve with the annual effect being charged/credited to other comprehensive income.

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 balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Pension costs

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

Provisions

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

Critical judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group 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 Group. Such changes are reflected in the assumptions when they occur.

Critical judgements

Investments in Associates

Multi-lines International Company Ltd (Multi-lines), which is 50% owned by the Group, has been judged by management to be an associate rather than a subsidiary or a joint venture.

Under IFRS 10 control is determined by:

- Power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect the amount of the investor's returns.

Although 50% owned, B&M Group does not have voting rights or substantive rights. Therefore the level of power over the business is considered to be more in keeping with that of an associate than a joint-venture, and hence it has been treated as such within these consolidated financial statements.

Hedge accounting

The Group 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 takes a prudent 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.

Fair values on acquisition

When the Group acquires a business it recognises the assets and liabilities acquired in the consolidated statement of financial position at fair value.

There is both significant management judgment and estimation uncertainty required in relation to this process, and specifically over key areas such as significant fixed assets, inventory, brand, the lease estate and the underlying basis for recording any goodwill.

In order to aid management in their decision making process, third parties are engaged to value significant items, and, as allowed by IFRS 3 ("Business Combinations"), a period of up to 12 months after acquisition is allowed for any additional information to be sourced that may affect the judgments made.

See note 7 for the outcome of this process in relation to recent acquisitions.

Inventory Valuation

Under IAS 2 ("Inventories") inventory is required to be recognised at the lower of cost and net realisable value.

Management has exercised significant judgment in relation to the net realisable value of inventory acquired through the Babou acquisition.

In order to make this judgment, management considered the age, quality and sell through of these items of inventory immediately prior to acquisition as reflected in due diligence performed. Based on this, management judged that certain stock had to be written down on the basis that it would not realistically achieve the carrying value when sold through the existing Babou store network and irrespective of any future strategic decisions made, or to be made on or post acquisition.

Estimation uncertainty

Goodwill impairment

The Group's calculation for goodwill impairment includes several assumptions that are based upon managerial judgment.

As well as those discussed in note 14 around the inputs, they include the basis of the calculation itself i.e. which cash flows should be included, whether allowance should be made for growth of the store estate and, related to this, the level of capital expenditure to be included and on which timescale.

Management believes that the key element in determining whether an impairment is required is the value in use of the cash generating units themselves, which can be summarised as the return made by those cash generating units when considering the costs directly attributable to making those sales

Standards and Interpretations applied and not yet applied by the Group

See note 31 for a detailed note on the implementation of IFRS 16, which the Group will apply from 31 March 2019.

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 Group 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 Group 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 Group 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 Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed and require adoption by the Group in future reporting periods. The Group 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 consolidated financial statements continued

2 Segmental information

IFRS 8 ("Operating segments") requires the Group's segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker to assess performance and allocate resources across each reporting segment.

The chief operating decision maker has been identified as the executive directors who monitor the operating results of the retail segments for the purpose of making decisions about resource allocation and performance assessment.

For management purposes, the Group is organised into four operating segments, UK B&M, UK Heron, France Babou and Germany Jawoll segments. The France Babou segment has been active since the acquisition of Babou in October 2018. The UK Heron segment has been active since the acquisition of Heron Food Group in August 2017.

Items that fall into the corporate category include those related to the Luxembourg or associate entities, Group financing, corporate transactions, any tax adjustments and items we consider to be adjusting (see note 3).

The average euro rate for translation purposes was €1.1341/£ during the year, with the year-end rate being €1.1648/£ (2018:€1.1336/£ and €1.1410/£, respectively).

	UK B&M £'000	UK Heron £'000	Germany Jawoll £'000	France Babou £'000	Corporate £'000	Total £'000
52 week period to 30 March 2019						
Revenue	2,789,431	354,057	213,663	129,144	–	3,486,295
EBITDA (note 3)	296,398	19,923	(10,223)	5,596	3,131	314,825
Depreciation and amortisation	(30,579)	(9,950)	(4,677)	(4,466)	(2)	(49,674)
Net finance income/(costs)	136	(765)	(525)	(62)	(14,509)	(15,725)
Income tax expense	(50,531)	(1,750)	4,782	(352)	1,134	(46,717)
Segment profit/(loss)	215,424	7,458	(10,643)	716	(10,246)	202,709
Total assets	1,760,772	215,529	156,130	172,700	26,728	2,331,859
Total liabilities	(342,511)	(52,830)	(32,977)	(80,251)	(755,049)	(1,263,618)
Capital expenditure*	(63,394)	(15,432)	(4,927)	(2,963)	(19,590)	(106,306)
	UK B&M £'000	UK Heron £'000	Germany Jawoll £'000	France Babou £'000	Corporate £'000	Total £'000
53 week period to 31 March 2018						
Revenue	2,619,488	210,008	200,306	–	–	3,029,802
EBITDA (note 3)	266,269	11,746	5,621	–	(5,240)	278,396
Depreciation and amortisation	(26,485)	(6,001)	(4,392)	–	(4)	(36,882)
Net finance income/(costs)	109	(481)	(370)	–	(11,456)	(12,198)
Income tax expense	(45,580)	(1,000)	(258)	–	3,327	(43,511)
Segment profit/(loss)	194,313	4,264	601	–	(13,373)	185,805
Total assets	1,718,328	204,162	127,078	–	7,294	2,056,862
Total liabilities	(361,834)	(56,909)	(27,287)	–	(685,447)	(1,131,477)
Capital expenditure*	(45,986)	(8,610)	(4,987)	–	(55,047)	(114,630)

* includes capital expenditure on intangible assets.

3 Reconciliation of non-IFRS measures from the statement of comprehensive income

EBITDA, Adjusted EBITDA and Adjusted Profit are non-IFRS measures and therefore reconciliations from the statement of comprehensive income are set out below.

Period to	52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
Profit on ordinary activities before interest and tax	265,151	241,514
Add back depreciation and amortisation	49,674	36,882
EBITDA	314,825	278,396
Reverse the effect of derivatives recorded within cost of sales	(61)	(509)
Reverse the effect of derivatives recorded within administrative expenses	(5,646)	4,334
Foreign exchange on intercompany balances	2,799	–
Remove costs associated with the acquisition of Babou	425	–
Remove costs associated with the acquisition of Heron	–	1,049
Adjusted EBITDA	312,342	283,270
Depreciation and amortisation	(49,674)	(36,882)
Net adjusted finance costs (see note 6)	(22,899)	(21,596)
Adjusted profit before tax	239,769	224,792
Adjusted tax	(45,182)	(44,437)
Adjusted profit for the period	194,587	180,355
Attributable to non-controlling interests	(2,445)	(78)
Attributable to owners of the parent	197,032	180,433

The adjusting items are the effects of derivatives, one off refinancing fees, foreign exchange on the translation of intercompany balances and the effects of revaluing or unwinding balances related to the acquisition of subsidiaries, such as the call/put option held over the non-controlling interest of our German operation. Significant project costs may also be included if incurred, as they have been in both years in relation to acquisitions (see note 7). Adjusted tax represents the tax charge per the statement of comprehensive income as adjusted only for the effects of the other adjusting items detailed above.

The segmental split in EBITDA and Adjusted EBITDA reconciles as follows;

	UK B&M £'000	UK Heron £'000	Germany Jawoll £'000	France Babou £'000	Corporate £'000	Total £'000
52 week period to 30 March 2019						
Profit before interest and tax	265,819	9,973	(14,900)	1,130	3,128	265,151
Add back depreciation and amortisation	30,579	9,950	4,677	4,466	2	49,674
EBITDA	296,398	19,923	(10,223)	5,596	3,131	314,825
Adjusting items detailed above	–	–	–	–	(2,483)	(2,483)
Adjusted EBITDA	296,398	19,923	(10,223)	5,596	648	312,342
53 week period to 31 March 2018						
Profit before interest and tax	239,784	5,745	1,229	–	(5,244)	241,514
Add back depreciation and amortisation	26,485	6,001	4,392	–	4	36,882
EBITDA	266,269	11,746	5,621	–	(5,240)	278,396
Adjusting items detailed above	–	–	–	–	4,874	4,874
Adjusted EBITDA	266,269	11,746	5,621	–	(366)	283,270

Adjusted EBITDA and related measures are not measures of performance or liquidity under IFRS and should not be considered in isolation or as a substitute for measures of profit, or as an indicator of the Group's operating performance or cash flows from operating activities as determined in accordance with IFRS.

Notes to the consolidated financial statements continued

4 Reconciliation of the 52-week results from the 53-week adjusted results

As in the prior year, in the commentary accompanying these accounts management consider that presenting an adjusted 52-week result for the prior year is helpful to the users of this annual report in order to directly compare like for like periods.

Therefore, a reconciliation to an adjusted 52-week statement of comprehensive income derived from the adjusted 53-week statement of comprehensive income by removing the final week of the financial year, is set out below.

Revenue and gross margin were directly taken from the specific week 53 figures and other costs were apportioned accordingly by considering the final accounting month of the year.

The adjusting items are those detailed in note 3.

	52 weeks to 30 March 2019 £'000	52 weeks to 24 March 2018 £'000	Week 53 £'000	53-weeks to 31 March 2018 £'000
Adjusted				
Revenue	3,486,295	2,976,274	53,528	3,029,802
Cost of sales	(2,302,711)	(1,966,071)	(35,366)	(2,001,437)
Gross profit	1,183,584	1,010,203	18,162	1,028,365
Administrative expenses	(920,916)	(767,309)	(14,668)	(781,977)
Profit before net finance costs and tax	262,668	242,894	3,494	246,388
Add back depreciation and amortisation	49,674	36,155	727	36,882
EBITDA	312,342	279,049	4,221	283,270
Depreciation and amortisation	(49,674)	(36,155)	(727)	(36,882)
Net finance costs	(22,899)	(21,350)	(246)	(21,596)
Profit before tax	239,769	221,544	3,248	224,792
Tax	(45,182)	(43,804)	(633)	(44,437)
Profit after tax	194,587	177,740	2,615	180,355
Attributable to non-controlling interests	(2,445)	(78)	–	(78)
Attributable to owners of the parent	197,032	177,818	2,615	180,433

The 53rd week only affects the UK B&M segment as the European retail segments report annual figures. Therefore we also present a reconciliation of the 52 week profit and loss UK retail segment figures as follows:

	52-weeks to 30 March 2019 £'000	52 weeks to 24 March 2018 £'000	Week 53 £'000	53-weeks to 31 March 2018 £'000
UK B&M segment				
Revenue	2,789,431	2,565,960	53,528	2,619,488
EBITDA	296,398	262,048	4,221	266,269
Depreciation and amortisation	(30,579)	(25,758)	(727)	(26,485)
Net finance income	136	107	2	109
Income tax expense	(50,531)	(44,916)	(664)	(45,580)
Segment profit	215,424	191,481	2,832	194,313

5 Operating profit

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

Period ended	52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
Auditor's remuneration	440	354
Payments to auditors in respect of non-audit services:		
Taxation advisory services	–	–
Other assurance services	82	78
Other professional services	–	21
Inventories:		
Cost of inventories recognised as an expense (included in cost of sales)	2,296,861	2,000,927
Depreciation of property, plant and equipment:		
Owned assets	44,969	34,234
Leased assets	2,547	997
Amortisation (included within administration costs)	2,158	1,652
Operating lease rentals	178,168	149,469
New store pre-opening costs	6,742	4,956
Loss on sale of property, plant and equipment	644	277
(Gain)/loss on foreign exchange	(8,572)	2,201

6 Finance costs and finance income

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

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Interest on debt and borrowings	(20,999)	(19,960)
Ongoing amortisation of finance fees	(1,862)	(1,491)
Finance charges payable under finance leases and hire purchase contracts	(407)	(327)
Total adjusted finance expense	(23,268)	(21,778)
Unwinding of deferred acquisition costs for subsidiaries	(2,683)	(2,170)
Total finance costs	(25,951)	(23,948)

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Interest income on loans and bank accounts	369	182
Total adjusted finance income	369	182
Gain on revaluing call/put option held over the minority interest of Jawoll	9,141	11,568
Gain on revaluing deferred consideration in respect of Heron	716	–
Total finance income	10,226	11,750

Total net adjusted finance costs are therefore;

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Total adjusted finance expense	(23,268)	(21,778)
Total adjusted finance income	369	182
Total net adjusted finance costs	(22,899)	(21,596)

Notes to the consolidated financial statements continued

7 Business combination

On 19 October 2018 the Group acquired Paminvest SAS a discount general merchandise retailer group operating under the trading name Babou in France ("Babou"). As part of the same transaction the Group acquired the third party distribution service provider to Babou and these operations were immediately brought into the Paminvest group.

The transaction has been accounted for via the acquisition method of accounting. The Group purchased 100% of the share capital for a fair value of €90.1m (£79.4m at the acquisition date exchange rate of 1.1346 €/£) which was made in cash funded by the drawdown of a new loan facility (see note 21).

The fair values of the identifiable assets and liabilities of Babou, which are provisional and can be updated up to 12 months after acquisition under IFRS 3, on the date of the acquisition were:

	€'000
Assets	
Babou brand asset (10 year life)	4,690
Favourable lease contracts	1,946
Other intangible assets	1,402
Property, plant and equipment	32,049
Inventories	83,280
Corporation and deferred tax	2,671
Receivables and other assets	24,629
Cash	4,038
Total assets	154,705
Liabilities	
Unfavourable lease contracts	(6,016)
Creditors and accruals	(64,947)
Finance leases	(5,114)
Bank loans	(12,488)
Total liabilities	(88,565)
Net assets acquired	66,140
Fair value of consideration	90,130
Goodwill recognised on acquisition	23,990

None of the receivables recognised were considered irrecoverable at the acquisition date.

Fees of £0.4m were incurred during the acquisition all of which have been expensed through the P&L, and which are treated as adjusting for the purposes of note 3.

The goodwill (which translates to £21.1m on the acquisition date) largely relates to the growth potential of the business, the current location of the stores and the existing workforce. None of the elements which make up goodwill can, or are not material enough to be recognised as a separate intangible asset.

The effect the acquisition has had on the consolidated income statement can be seen in the segment note (note 2). Had the company been bought at the start of the year it would have contributed an estimated extra €162.3m to revenue and €2.8m to operating profit under their local accounting policies (French GAAP, on the basis that it was not practical to translate to IFRS). These translate to £143.1m and £2.5m at the exchange rate used for the Group consolidated income statement.

The balance on the consolidated statement of cash flows reconciles as follows:

	€'000	£'000
Initial cash consideration	90,130	79,438
Cash acquired	(4,038)	(3,559)
Net cash for acquisitions	86,092	75,879

In the prior year, on 2 August 2017 the Group acquired Heron Food Group Limited ("Heron"), a discount convenience retailer incorporated in the UK.

The transaction was accounted for via the acquisition method of accounting. The Group purchased 100% of the share capital, for a fair value of £122.5m, which breaks down as follows:

	£'000
Initial cash consideration	112,123
Fair value of deferred consideration	10,422
Total	122,545

The deferred consideration represented a cash amount of £12.8m payable in 2019 based upon certain conditions. As this is now payable imminently it has been fully unwound to an expected final value of £12.1m (see note 20).

The fair values of the identifiable assets and liabilities of Heron on the date of the acquisition were:

	£'000
Assets	
Heron brand asset	14,178
Favourable lease contracts	1,385
Other intangible assets	1,305
Property, plant and equipment	67,299
Inventories	13,835
Receivables and other assets	8,081
Cash	8,315
Total assets	114,398
Liabilities	
Unfavourable lease contracts	(9,984)
Creditors and accruals	(32,395)
Provisions	(1,538)
Corporation and deferred tax	(4,107)
Finance leases	(3,199)
Overdraft	(2,628)
Bank loans	(25,582)
Total liabilities	(79,433)
Net assets acquired	34,965
Fair value of consideration	122,545
Goodwill recognised on acquisition	87,580

None of the receivables recognised were considered irrecoverable at the acquisition date.

Fees of £1.0m were incurred during the acquisition all of which have been expensed through the P&L, and which are treated as adjusting for the purposes of note 3.

The goodwill largely related to the growth potential of the business, the current location of the stores and the existing workforce. None of the elements which make up goodwill could, or were not material enough to be recognised as a separate intangible asset.

The effect the acquisition has had on the consolidated income statement can be seen in the segment note (note 2) for both the prior and current year. Had the company been bought at the start of the prior year it would have contributed an estimated extra £108.6m to revenue and £3.4m to operating profit, under their local accounting policies (FRS 102 compliant, on the basis that it was not practical to translate to IFRS), to our prior year results.

The balance on the consolidated statement of cash flows reconciles as follows:

	£'000
Initial cash consideration	112,123
Cash acquired	(8,315)
Overdraft acquired	2,628
Net cash for acquisitions	106,436

Notes to the consolidated financial statements continued

8 Employee remuneration

Expense recognised for employee benefits is analysed below:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Wages and salaries	391,708	347,027
Social security costs	20,290	16,945
Pensions – defined contribution plans	3,312	1,424
	415,309	365,396

There are £116k of defined contribution pension liabilities owed by the Group at the period end (2018: £221k).

The Group has one employee who is a member of a defined benefit scheme (2018: one employee). The liability held on the balance sheet at the year end was £245k (2018: £250k).

The scheme is considered immaterial to the Group and the effect of the year end actuarial valuation can be seen within other comprehensive income.

Babou operates a scheme where they must provide a certain amount per employee to pay upon their retirement date. The accrual on this scheme was £1,174k at year end.

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

Period ended	52 weeks to 30 March 2019	53 weeks to 31 March 2018
Sales staff	32,768	30,758
Administration	1,035	1,284
	33,803	32,042

9 Key management remuneration

Key management personnel and Directors' remuneration includes the following:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Directors' remuneration:		
Short term employee benefits	2,204	3,067
Benefits accrued under the share option scheme	219	226
	2,423	3,293
Key management expense (includes Directors' remuneration):		
Short term employee benefits	5,278	7,103
Benefits accrued under the share option scheme	328	280
Pension	40	4
	5,647	7,387
Amounts in respect of the highest paid director emoluments:		
Short term employee benefits	1,212	2,049
Benefits accrued under the share option scheme	84	–
	1,296	2,049

The emoluments disclosed above are of the directors and key management personnel who have served as a director within any of the Group companies.

10 Share Options

The Group operates two share option schemes, both of which split down to various tranches. Details of these schemes follow.

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 of the Group are eligible for the CSOP and the awards are made at the discretion of the 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

2) Long-Term Incentive Plan (LTIP) Awards

The LTIP was adopted by the 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 of the Group are eligible for the LTIP and the awards are made at the discretion of the 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.

Notes to the consolidated financial statements continued

10 Share Options continued

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.

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%

	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, £954k 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 consolidated financial statements continued

11 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	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Current tax expense	50,732	44,039
Deferred tax credit	(4,015)	(528)
Total tax expense recorded in profit and loss	46,717	43,511
Current tax charge/(credit) in other comprehensive income	2	(54)
Deferred tax charge/(credit) in other comprehensive income	3,479	(2,416)
Total tax charge/(credit) recorded in other comprehensive income	3,481	(2,470)
Result for the year before tax	249,426	229,316
Expected tax charge at the standard tax rate	47,391	43,570
Effect of:		
Expenses not deductible for tax purposes	3,804	2,440
Income not taxable	(3,723)	(2,709)
Foreign operations taxed at local rates	(758)	790
Changes in the rate of corporation tax	(58)	55
Adjustment in respect of prior years	(114)	(485)
Other	175	(150)
Actual tax expense	46,717	43,511

Deferred taxation

Statement of financial position	30 March 2019 £'000	31 March 2018 £'000
Accelerated tax depreciation	(3,250)	(4,671)
Relating to intangible brand assets	(20,955)	(18,339)
Fair valuing of assets and liabilities (asset)	2,942	5,030
Fair valuing of assets and liabilities (liability)	(2,427)	(1,035)
Movement in provision	1,308	11
Relating to share options	360	206
Held over gains on fixed assets	(450)	(450)
Losses carried forward	4,501	–
Other temporary differences (asset)	84	407
Other temporary differences (liability)	(67)	–
Net deferred tax liability	(17,953)	(18,841)
Analysed as:		
Deferred tax asset	9,195	5,654
Deferred tax liability	(27,148)	(24,495)

	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Statement of comprehensive income		
Accelerated tax depreciation	1,411	129
Relating to intangible brand assets	(1,530)	107
Fair valuing of assets and liabilities	(4,278)	2,278
Movement in provision	326	(75)
Relating to share options	153	108
Held over gains on fixed assets	–	21
Losses carried forward	4,501	–
Other temporary differences	(39)	376
Effect of foreign exchange	(8)	–
Net deferred tax credit	536	2,944
Analysed as:		
Total deferred tax in profit or loss	4,015	528
Total deferred tax in other comprehensive income	(3,479)	2,416

The Group 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.

12 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit or loss for the financial period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding at each period end.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during each year plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares.

Adjusted (and adjusted 52 week) basic and diluted earnings per share are calculated in the same way as above, except using adjusted\ adjusted 52-week profit attributable to ordinary equity holders of the parent, as defined in notes 3 and 4.

There are share option schemes in place (see note 10) which have a dilutive effect on both periods presented. The following reflects the income and share data used in the earnings per share computations:

Period ended	30 March 2019 £'000	31 March 2018 £'000
Profit for the period attributable to owners of the parent	205,154	185,833
Adjusted profit for the period attributable to owners of the parent	197,032	180,433
Adjusted 52 week profit for the period attributable to owners of the parent	197,032	177,818
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	1,000,561	1,000,353
Dilutive employee share options	453	298
Weighted average number of ordinary shares adjusted for the effect of dilution	1,001,014	1,000,651
	Pence	Pence
Basic earnings per share	20.5	18.6
Diluted earnings per share	20.5	18.6
Adjusted basic earnings per share	19.7	18.0
Adjusted diluted earnings per share	19.7	18.0
Adjusted 52 week basic earnings per share	19.7	17.8
Adjusted 52 week diluted earnings per share	19.7	17.8

Notes to the consolidated financial statements continued

13 Investments in associates

Period ended	30 March 2019 £'000	31 March 2018 £'000
Net book value		
Carrying value at the start of the period	5,140	5,669
Acquisition of holding in Centz Retail Holdings	1,200	–
Dividends received	(570)	(1,149)
Share of profits in associates since the prior year valuation exercise	775	1,919
Impairment of holding in Home Focus Group	–	(208)
Sale of 20% holding in Home Focus Group	–	(310)
Effect of foreign exchange on translation	375	(781)
Carrying value at the end of the period	6,920	5,140

On 19 November 2018, the Group acquired a 22.5% holding in Centz Retail Holdings Limited, a company incorporated in Ireland, for €1,350,000. The principal activity of the company is retail sales and their registered address is 5 Old Dublin Road, Stillorgan, Co. Dublin.

The Group has a 50% (2018: 50%) interest in Multi-lines International Company Ltd, a company incorporated in Hong Kong. The principal activity of the company is the purchase and sale of goods and their registered address is 8/F, Hope Sea Industrial Centre, No. 26 Lam Hing Street, Kowloon Bay, Hong Kong.

The Group also holds 20% (2018: 20%) of the ordinary share capital of Home Focus Group Ltd, a company incorporated in Republic of Ireland and whose principal activity is retail sales and their registered address is Boole House, Beech Hill Office Campus, Beech Hill Road, Clonskeagh, Dublin 4.

During the prior year the Group sold 20% of the holding in Home Focus Group for €350k. The remaining 20% holding is also subject to a contract of sale in December 2020 for the same amount, therefore the remaining stake was revalued to €350k with a resulting impairment which has been recognised in profit and loss. The holding in Home Focus is considered immaterial for further disclosure.

None of the entities have discontinued operations or other comprehensive income, except that on consolidation all entities have a foreign exchange translation difference.

Period ended	30 March 2019 £'000	30 March 2018 £'000
Multi-lines		
Non-current assets	2,344	1,106
Current assets	50,045	36,004
Non-current liabilities	–	–
Current liabilities	(39,577)	(25,555)
Net assets	12,812	11,555
Revenue	160,903	169,244
Profit	1,562	3,805

The figures for Multi-lines show 12 months to December 2018 (2018: 12 months to December 2017), being the period used in the valuation of the associate.

Centz Retail Holdings Limited report to a year end of December. Given the limited period of ownership of six weeks until that date, no profit or loss has been recognised related to this entity at this year end and it is therefore considered immaterial for further disclosure.

14 Intangible assets

	Goodwill £'000	Software £'000	Brands £'000	Other £'000	Total £'000
Cost or valuation					
At 25 March 2017	841,691	4,620	100,047	1,494	947,852
Additions due to purchase of Heron	87,580	1,305	14,178	–	103,063
Additions	–	1,612	1,750	–	3,362
Disposals	–	(289)	–	–	(289)
Effect of retranslation	447	3	68	20	538
At 31 March 2018	929,718	7,251	116,043	1,514	1,054,526
Additions due to purchase of Babou	21,144	139	4,134	1,096	26,513
Additions	–	2,404	250	–	2,654
Disposals	–	(51)	–	–	(51)
Effect of retranslation	(1,256)	(28)	(214)	(59)	(1,557)
At 30 March 2019	949,606	9,715	120,213	2,551	1,082,085
Accumulated amortisation/impairment					
At 25 March 2017	–	1,425	–	1,043	2,468
Charge for the year	–	1,436	13	203	1,652
Disposals	–	(289)	–	–	(289)
Effect of retranslation	–	3	–	12	15
At 31 March 2018	–	2,575	13	1,258	3,846
Charge for the year	–	1,854	227	77	2,158
Disposals	–	(41)	–	–	(41)
Effect of retranslation	–	(11)	(5)	(27)	(43)
At 30 March 2019	–	4,377	235	1,308	5,920
Net book value at 30 March 2019	949,606	5,338	119,978	1,243	1,076,165
Net book value at 31 March 2018	929,718	4,676	116,030	256	1,050,680

Impairment review of intangible assets held with indefinite life

The Group holds the following assets with indefinite life:

Segment	30 March 2019	30 March 2019	31 March 2018	31 March 2018
	Goodwill £'000	Brand £'000	Goodwill £'000	Brand £'000
UK B&M	807,496	95,900	807,496	95,650
UK Heron	87,580	14,178	87,580	14,178
Germany Jawoll	33,934	5,108	34,642	5,215
France Babou	20,596	–	–	–

Not all items in the brand classification have an indefinite life as some are time limited. The brand intangible assets that have been identified as having an indefinite life are designated as such as management believe that these assets will hold their value for an indefinite period of time.

In each case the goodwill and brand assets have been allocated to one group of CGUs, being the store estate within the specific segment to which those assets relate. The Babou assets are a new addition in the year and the Heron assets were a new addition in the prior year, see note 7 for more details.

The Group performs impairment tests at each period end. The impairment test involves assessing the net present value (NPV) of the expected cash flows in relation to the stores within each CGU according to a number of assumptions to calculate the value in use (VIU) for the group of CGUs.

The Jawoll and Babou balances are held in Euros, with underlying balances of €39.5m and €24.0 for Goodwill respectively and €6.0m for the Jawoll brand (2018: Jawoll unchanged, Babou N/A). Since the cashflows that support the carrying values are also primarily in Euros, the impairment test for these assets have been carried out in that currency.

Notes to the consolidated financial statements continued

14 Intangible assets continued

Impairment review of intangible assets held with indefinite life continued

After a review, the impairment tests calculations were altered to include additional costs, such as those related to transport and distribution of stock, and the results below for the prior year have been restated to reflect this. There was no material impact on the result of the impairment test with no impairment required.

In each case, the results of the impairment tests identified that the VIU was in excess of the carrying value of assets within the group of CGUs at the period end dates.

The Jawoll business suffered a loss in the year (see note 2) but management believe that this was due to exceptional circumstances that will not be repeated. Looking ahead, Jawoll's results, and specifically the margin which was affected by the level of mark downs on old stock in the year, are expected to improve. As such the Jawoll gross margin has been added as a key assumption in this year's calculation. No other indicators of impairment were noted.

The key assumptions used were

- (i) The Group's discount rate, calculated via an internal model.
- (ii) The inflation rate for expenses, which has been based upon the consumer price index for the relevant country.
- (iii) The like for like sales growth, an estimate made by management.
- (iv) Gross margin for Jawoll, an estimate made by management.
- (v) A terminal growth rate, an estimate made by management based upon the expected position of the business at the end of the five year forecast period.

The assumptions were as follows:

As at	30 March 2019	31 March 2018
Discount rate (B&M)	10.4%	10.7%
Discount rate (Heron)	10.7%	11.5%
Discount rate (Jawoll)	12.4%	13.2%
Discount rate (Babou)	12.4%	N/A
Inflation rate for costs (B&M & Heron)	2.4%	3.6%
Inflation rate for costs (Jawoll)	1.3%	1.7%
Inflation rate for costs (Babou)	1.6%	N/A
Like for like sales growth (B&M)	2.0%	2.0%
Like for like sales growth (Heron)	2.0%	3.0%
Like for like sales growth (Jawoll)	5.0%	2.0%
Like for like sales growth (Babou)	0.0%	N/A
Gross margin (Jawoll)	38.0%	N/A
Terminal growth rate (B&M)	0.5%	0.5%
Terminal growth rate (Heron)	3.0%	3.0%
Terminal growth rate (Jawoll)	3.0%	3.0%
Terminal growth rate (Babou)	3.0%	3.0%

These assumptions are reflected for five years in the CGU forecasts and beyond this a perpetuity calculation is performed using the assumptions made regarding terminal growth rates.

The sensitivity of the assumptions is set out below together with the levels at which an impairment would be triggered in relation to each of the key assumptions as set out above.

	B&M		Heron	
	30 March 2019	31 March 2018	30 March 2019	31 March 2018
Discount rate	35.8%	27.7%	22.4%	17.1%
Inflation rate for expenses	11.3%	9.5%	8.5%	6.6%
Like for like sales	(4.2)%	(2.1)%	(2.5)%	0.8%
Terminal growth rate	N/A*	N/A*	(26.8)%	(6.9)%

	Jawoll		Babou	
	30 March 2019	31 March 2018	30 March 2019	31 March 2018
Discount rate	34.3%	29.6%	80.0%	N/A
Inflation rate for expenses	8.1%	7.2%	8.9%	N/A
Like for like sales	(0.3)%	(2.0)%	(4.7)%	N/A
Gross margin	31.3%	N/A	N/A	N/A
Terminal growth rate	N/A*	(73.1)%	N/A*	N/A

* calculation is not sensitive to this input for this segment

15 Property, plant & equipment

	Land and buildings £'000	Motor vehicles £'000	Plant, fixtures and equipment £'000	Total £'000
Cost or valuation				
At 25 March 2017	46,250	3,485	183,910	233,645
Acquisition of Heron	31,388	5,787	30,124	67,299
Additions	58,097	4,493	48,678	111,268
Disposals	(506)	(1,313)	(4,180)	(5,999)
Effect of retranslation	306	5	164	475
At 31 March 2018	135,535	12,457	258,696	406,688
Acquisition of Babou	153	63	28,030	28,246
Additions	34,960	5,628	63,064	103,652
Disposals	(174)	(1,231)	(1,991)	(3,396)
Effect of retranslation	(492)	(11)	(1,266)	(1,769)
At 30 March 2019	169,982	16,906	346,533	533,421
Accumulated depreciation				
At 25 March 2017	12,685	1,796	53,416	67,897
Charge for the period	4,607	1,559	29,065	35,231
Disposals	(181)	(1,106)	(3,880)	(5,167)
Effect of retranslation	41	2	31	74
At 31 March 2018	17,152	2,251	78,632	98,035
Charge for the period	5,028	2,671	39,817	47,516
Disposals	(13)	(686)	(935)	(1,634)
Effect of retranslation	(144)	(4)	(300)	(448)
At 30 March 2019	22,023	4,232	117,214	143,469
Net book value at 30 March 2019	147,959	12,674	229,319	389,952
Net book value at 31 March 2018	118,383	10,206	180,064	308,653

The carrying value of assets held under finance lease and hire purchase contracts at 30 March 2019 was £10.8m (2018: £7.5m) and total depreciation charged on these assets during the period was £2.5m (2018: £1.0m). The assets held under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Under the terms of the loan and notes facilities in place at 30 March 2019, fixed and floating charges were held over £130.8m of the net book value of land and buildings, £12.3m of the net book value of motor vehicles and £190.4m of the net book value of the plant, fixtures and equipment. (2018: £99.6m, £9.7m, £167.5m respectively).

A significant addition was made to the land & buildings category in relation to the southern warehouse. At the year end the balance in relation to this stood at £72.2m (2018: £55.0m). The warehouse is undergoing a fit out phase and has not yet been brought into use and is therefore not yet depreciated. The intention is that the asset will undergo a sale & leaseback process near to or at completion. A further £1.0m of assets in the land & buildings category relates to other assets under construction (2018: £0.5m).

Included within land and buildings is land with a cost of £62.8m (2018: £62.6m) which is not depreciated.

16 Inventories

As at	30 March 2019 £'000	31 March 2018 £'000
Goods for resale	670,721	558,690

Included in the amount above was a net credit of £3.5m related to inventory provisions (2018: £1.3m net charge). In the period to 30 March 2019 £2,297m (2018: £2,001m) was recognised as an expense for inventories.

Notes to the consolidated financial statements continued

17 Trade and other receivables

	30 March 2019 £'000	31 March 2018 £'000
Non-current		
Lease premiums	1,786	2,150
Favourable leases	1,967	1,037
Other receivables	7,236	–
	10,989	3,187
Current		
Trade receivables	4,866	3,221
Deposits on account	5,507	1,575
Provision for impairment	(247)	(160)
Net trade receivables to non-related parties	10,126	4,636
Prepayments	39,190	27,165
Related party receivables	13,079	410
Lease premiums	251	324
Favourable leases	555	183
Other tax	3,213	–
Other receivables	5,226	1,324
	71,640	34,042

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

The following table sets out an analysis of provisions for impairment of trade and other receivables:

Period ended	30 March 2019 £'000	31 March 2018 £'000
Provision for impairment at the start of the period	(160)	(18)
Impairment during the period	(247)	(145)
Utilised/released during the period	160	3
Balance at the period end	247	(160)

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

Aside from the related party balances (see note 28) there were no significant balances within debtors at either March 2019 or March 2018 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:

As at	30 March 2019 £'000	31 March 2018 £'000
Neither past due nor impaired	1,901	2,086
Past due less than one month	2,387	651
Past due between one and three months	66	230
Past due for longer than three months	513	254
Balance at the period end	4,867	3,221

18 Cash and cash equivalents

As at	30 March 2019 £'000	31 March 2018 £'000
Cash at bank and in hand	86,202	90,816
Overdrafts	(5,646)	(6,112)
Cash and cash equivalents	80,556	84,704

As at the year end the Group had available £93.4m of undrawn committed borrowing facilities (2018: £89.0m).

19 Trade and other payables

As at	30 March 2019 £'000	31 March 2018 £'000
Non-current		
Accruals	503	250
Reverse lease premium	82,299	78,859
Unfavourable leases	9,810	8,021
Other payables	279	–
	92,891	87,130
Current		
Trade payables	306,902	264,224
Other tax and social security payments	14,933	7,845
Accruals and deferred income	45,430	28,251
Reverse lease premium	15,849	14,446
Unfavourable leases	2,234	1,165
Related party trade payables	3,248	12,345
Other payables	7,370	7,796
	395,966	336,072

Trade payables are generally on 30 day terms and are not interest bearing. The carrying value of trade payables approximates to their fair value. For further details on the related party trade payables, see note 28.

20 Other financial assets and liabilities

Other financial assets

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

Financial assets through profit or loss reflect the fair value of those derivatives that are not designated as hedge relationships but are nevertheless intended to reduce the level of risk for expected sales and purchases.

Notes to the consolidated financial statements continued

20 Other financial assets and liabilities continued

Other financial liabilities

As at	30 March 2019 £'000	31 March 2018 £'000
Non-current financial liabilities at fair value through profit and loss:		
Put/call options over the non-controlling interest of Jawoll	–	8,076
Deferred consideration in relation to the purchase of Heron	–	11,133
Total non-current other financial liabilities	–	19,209
Current financial liabilities at fair value through profit and loss:		
Deferred consideration in relation to the purchase of Heron	12,084	–
Foreign exchange forward contracts	535	923
Current financial liabilities at fair value through other comprehensive income:		
Foreign exchange forward contracts	1,112	15,743
Total current other financial liabilities	13,731	16,666
Total other financial liabilities	13,731	35,875

The put/call options over the non-controlling interest in Jawoll arose as part of the acquisition of the entity. The valuation at year end reflects management's latest projections for the final amount to be exchanged at the year end foreign exchange rate. The option matures later in 2019.

The deferred consideration relates to the acquisition of Heron. The valuation at year end reflects management's calculation of the amount expected to be payable later in 2019.

The other financial liabilities through profit or loss reflect the fair value of those foreign exchange forward contracts 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 Group 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 dates, the Group held the following financial instruments carried at fair value on the balance sheet:

	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
30 March 2019				
Foreign exchange contracts	4,520	–	4,520	–
Fuel swap contract	127	–	127	–
Deferred consideration in relation to Heron	(12,084)	–	–	(12,084)
31 March 2018				
Foreign exchange contracts	(16,666)	–	(16,666)	–
Put/call options on Jawoll non-controlling interest	(8,076)	–	–	(8,076)
Deferred consideration in relation to Heron	(11,133)	–	–	(11,133)

The put/call option and deferred consideration were valued with reference to the sale and purchase agreements underpinning the relevant acquisition. The key variable in determining the fair value of these balances is the forecast EBITDA, respectively of Jawoll and Heron, as prepared by management.

The movement in the valuation of the call/put option reconciles as follows:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Opening value	8,076	17,886
Unwinding of the call/put option valuation	1,016	1,459
Adjustment to the valuation of the call/put option	(9,141)	(11,568)
Effect of foreign exchange	49	299
Closing value	–	8,076

The valuation is based upon this years achieved EBITDA and is therefore no longer considered sensitive to this variable. Previously a 5% change in EBITDA would have resulted in a 5% change to the valuation. It is also not considered sensitive to the discount rate because if a liability were to arise it would be expected to be within the next 12 months.

The movement in the valuation of deferred consideration reconciles as follows:

Period ended	52 weeks to 30 March 2019 £'000	53 weeks to 31 March 2018 £'000
Opening value	11,133	–
Recognised on acquisition of Heron	–	10,422
Unwinding of the deferred consideration balance	1,667	711
Revaluation of the deferred consideration	(716)	–
Closing value	12,084	11,133

The balance is based upon the EBITDA over the preceding two years and is therefore no longer considered sensitive to this input. The balance is also not considered sensitive to the discount rate as it is expected to be due imminently and has therefore not been discounted.

The other 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.

21 Financial liabilities – borrowings

As at	30 March 2019 £'000	31 March 2018 £'000
Current		
Revolving facility bank loan	40,000	45,000
Acquisition facility	78,461	–
Babou loan facilities	3,599	–
Heron loan facilities	2,212	2,212
	124,272	47,212
Non-current		
High yield bond notes	248,194	247,558
Term facility bank loan	298,102	297,288
Babou loan facilities	5,362	–
Heron loan facilities	11,283	13,580
	562,941	558,426

The acquisition facility of €92.0m was drawn down by the Group on 19 October 2018 to facilitate the purchase of Babou. It has an initial maturity date of October 2019, but can be extended at the sole discretion of the Group for up to one additional year. It is held at amortised cost with £0.9m of fees initially attributed to it. The gross amount and other details can be seen in the maturity table below.

The term facility bank loan and high yield bond notes are held at amortised cost and were initially capitalised in February 2017 with £3.2m and £3.3m (respectively) of fees attributed to them.

The Babou and Heron loan facilities were brought into the Group as part of the acquired balance sheets on 19 October 2018 and 2 August 2017 respectively, all are carried at their gross cash amount. The Babou loan facilities are held with various counterparties and at various margins and maturities, further details are included in the maturity table below.

Notes to the consolidated financial statements continued

21 Financial liabilities – borrowings continued

The maturities of the loan facilities and finance leases (also see note 25) are as follows.

	Interest rate %	Maturity	30 March 2019 £'000	31 March 2018 £'000
Finance leases	1.0-6.0%	2019-37	10,734	9,176
Revolving facility loan	2.00% + LIBOR	Apr-19/18	40,000	45,000
Term facility bank loan A	2.00% + LIBOR	Jul-21	300,000	300,000
High yield bond notes	4.125%	Feb-22	250,000	250,000
Acquisition facility	1.075% (see note)	Oct-19	78,984	–
Heron loan facilities – Melton	2.25% + LIBOR	Jul-25	5,159	6,050
Heron loan facilities – Offset	2.45% + LIBOR	Sep-22	3,967	4,572
Heron loan facilities – Term	2.50% + LIBOR	Dec-21	4,370	5,170
Babou – BNP Paribas (1)	1.96% + EURIBOR	Jan-20	393	–
Babou – BNP Paribas (2)	0.76%	Jan-23	661	–
Babou – Caisse d'Épargne (1)	1.50% + EURIBOR	Feb-22	478	–
Babou – Caisse d'Épargne (2)	1.45% + EURIBOR	Feb-23	1,503	–
Babou – Caisse d'Épargne (3)	1.50% + EURIBOR	Feb-22	660	–
Babou – Caisse d'Épargne (4)	1.51%	Feb-24	612	–
Babou – CIC (1)	2.18%	Jan-21	594	–
Babou – CIC (2)	1.45%	Apr-20	191	–
Babou – CIC (3)	1.20%	May-22	1,099	–
Babou – Crédit Agricole (1)	2.07%	Jan-20	218	–
Babou – Crédit Agricole (2)	0.515%	Jan-23	660	–
Babou – Crédit Lyonnais	1.15% + EURIBOR	Apr-20	266	–
Babou – Société Générale (1)	1.15% + EURIBOR	Apr-20	332	–
Babou – Société Générale (2)	0.63%	Dec-22	1,293	–
			702,174	619,968

The acquisition facility, term loan A and the high yield bond notes have carrying values which include transaction fees allocated on inception.

The acquisition facility interest rate varies over the course of the year. The rate shown in the table is the effective rate. The P&L charge is based upon the effective rate.

The acquisition facility, all Babou facilities and an element of the finance leases have gross values in euros, and the values above have been translated at the period end rates of €1.1648/£ (2018: €1.141/£).

22 Provisions

	Property provisions £'000	Other £'000	Total £'000
At 25 March 2017	1,756	4,035	5,791
Brought in on acquisition of Heron	1,538	–	1,538
Provided in the period	1,280	2,264	3,544
Utilised during the period	(1,198)	(1,807)	(3,005)
Released during the period	(538)	(31)	(569)
Effect of retranslation	3	–	3
At 31 March 2018	2,841	4,461	7,302
Provided in the period	506	2,361	2,867
Utilised during the period	(846)	(1,857)	(2,703)
Released during the period	(374)	–	(374)
At 30 March 2019	2,127	4,965	7,092
Current liabilities 2019	1,753	4,965	6,718
Non-current liabilities 2019	374	–	374
Current liabilities 2018	2,462	4,461	6,923
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.

The other provisions principally relate to disputes concerning insured liability claims. A prudent amount has been set aside for each claim as per legal advice received by the Group. These claims are individually non-significant and average £9.4k per claim (£8.4k in 2018).

23 Share capital

As at	30 March 2019 £'000	31 March 2018 £'000
Allotted, called up and fully paid		
<i>B&M European Value Retail S.A.</i>		
1,000,561,222 ordinary shares of 10p each	100,056	100,056
	100,056	100,056

Ordinary shares

Each ordinary share ranks pari passu with each other ordinary share and each share carries one vote. The Group parent is authorised to release up to a maximum of 2,971,661,000 ordinary shares.

B&M European Value Retail S.A. released 561,222 shares during the prior period in relation to exercised employee and director share options, see note 10.

24 Cash generated from operations

Period ended	52 weeks ended 30 March 2019 £'000	53 weeks ended 31 March 2018 £'000
Profit before tax	249,426	229,316
Adjustments for:		
Net interest expense	15,725	12,198
Depreciation	47,516	35,231
Amortisation of intangible assets	2,158	1,652
Loss on disposal of property, plant and equipment	644	277
Loss on share options	954	615
Change in inventories	(40,947)	(79,099)
Change in trade and other receivables	(26,847)	(1,168)
Change in trade and other payables	15,728	39,377
Change in provisions	(210)	1,511
Share of profit from associates	(775)	(1,711)
Non-cash foreign exchange effect from retranslation of subsidiary cashflows	1,781	(31)
Loss resulting from fair value of financial derivatives	(5,707)	3,825
Cash generated from operations	259,446	241,993

Notes to the consolidated financial statements continued

25 Commitments

From 31 March 2019 the Group will apply IFRS 16, please see note 31 for more details.

Operating leases

The vast majority of the Group's operating lease commitments relate to the property comprising its store network. At the year-end over 95% of these leases expire in the next 15 years (2018: >95%) The leases are separately negotiated and no subgroup is considered to be individually significant nor to contain individually significant terms. The Group was not subject to non-trivial contingent rent agreements at the year end date. The following table sets out the total future minimum lease payments under non-cancellable operating leases, taking account of lease premiums.

As at	30 March 2019 £'000	31 March 2018 £'000
Not later than one year	194,334	154,508
Later than one year and not later than five years	669,634	554,293
Later than five years	658,614	548,974
	1,522,582	1,257,775

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

As at	30 March 2019 £'000	31 March 2018 £'000
Lease payments	179,297	150,512
Sublease receipts	(1,129)	(1,043)
	178,168	149,469

Finance leases

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

As at	30 March 2019		31 March 2018	
	Minimum payments £'000	PV of minimum payments £'000	Minimum payments £'000	PV of minimum payments £'000
Not later than one year	3,769	3,630	2,121	1,870
Later than one year and not later than five years	7,699	6,875	6,507	6,047
Later than five years	230	229	1,260	1,259
	11,698	10,734	9,888	9,176

Capital commitments

There were £30.2m of contractual capital commitments not provided within the Group financial statements as at 30 March 2019 (2018: £44.1m). The figures include an estimated £26.3m in relation to the build and fit out of the southern warehouse which, whilst the majority is not yet committed, is considered very likely to be incurred (2018: £40.7m). The southern warehouse is expected to undergo a sale & leaseback around the date of completion.

26 Group information and ultimate parent undertaking

The financial results of the Group include the following entities.

Company name	Country	Date of incorporation	Percent held within the Group	Principal activity
B&M European Value Retail S.A.	Luxembourg	May 2014	Parent	Holding company
B&M European Value Retail 1 S.à r.l.	Luxembourg	November 2012	100%	Holding company
Bedford DC Investment Ltd	Jersey	June 2017	100%	Property development
B&M European Value Retail Holdco 1 Ltd	UK	December 2012	100%	Holding company
B&M European Value Retail Holdco 2 Ltd	UK	December 2012	100%	Holding company
B&M European Value Retail Holdco 3 Ltd	UK	November 2012	100%	Holding company
B&M European Value Retail Holdco 4 Ltd	UK	November 2012	100%	Holding company
B&M European Value Retail 2 S.à r.l.	Luxembourg	September 2012	100%	Holding company
EV Retail Limited	UK	September 1996	100%	Holding company
B&M Retail Limited	UK	March 1978	100%	General retail
Opus Homewares Limited	UK	April 2003	100%	Dormant
Retail Industry Apprenticeships Ltd	UK	June 2017	100%	Employment services
Heron Food Group Ltd	UK	August 2002	100%	Holding company
Heron Foods Ltd	UK	October 1978	100%	Convenience retail
Cooltrader Ltd	UK	September 2012	100%	Dormant
Heron Properties (Hull) Ltd	UK	February 2003	100%	Dormant
B&M European Value Retail Germany GmbH	Germany	November 2013	100%	Holding company
J.A. Woll Handels GmbH	Germany	November 1987	80%	General retail
Jawoll Vertriebs GmbH I	Germany	September 2007	80%	General retail
Paminvest SAS	France	July 2010	100%	Holding company
SAS Babou	France	November 1977	100%	General retail
Babou Relationship Partners – BRP SAS	France	December 2012	100%	Administrative services

Registered Offices

- The Luxembourg entities are all registered at 9 allée Scheffer, L-2520, Luxembourg.
- The UK entities are all registered at The Vault, Dakota Drive, Estuary Commerce Park, Speke, Liverpool, L24 8RJ.
- The German entities are all registered at Am Hornberg 6, 29614, Soltau.
- Babou and Paminvest are registered at 8 rue du Bois Joli, 63800 Cournon d'Auvergne.
- BRP SAS are registered at 7 rue Biscornet, 75012 Paris.

Changes during the year

The Group acquired the French retailing group headed by Paminvest SAS. Initially this comprised six entities, but it has since been rationalised into the three entities given above. See note 7 for further details on the transaction.

Changes during the prior year

The Group acquired four businesses comprising the Heron Food Group as detailed in note 7. Retail Industry Apprenticeships Ltd and Bedford DC Investment Ltd were incorporated and are fully owned by the Group. BestFlora was fully incorporated into the other Germany entities and disposed of.

Associates

The Group has a 50% interest in Multi-lines International Company Limited, a company incorporated in Hong Kong, a 20% (40% prior to December 2017) interest in Home Focus Group Limited, a company incorporated in the Republic of Ireland, and a 22.5% (acquired in November 2018) interest in Centz Retail Holdings Limited, also incorporated in the Republic of Ireland. The share of profit/loss from the associates is included in the statement of comprehensive income, see note 13.

Ultimate parent undertaking

The directors of the Group consider the parent and the ultimate controlling related party of this Group to be B&M European Value Retail SA, registered in Luxembourg.

Notes to the consolidated financial statements continued

27 Financial risk management

The Group uses various financial instruments, including bank loans, related party loans, finance company loans, cash, equity investment, derivatives and various items, such as trade receivables and trade payables that arise directly from its operations.

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

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

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and commodity price risk. Commodity price risk is not considered material to the business as the Group is able to pass on pricing changes to its customers.

Despite the impact of price risk not being considered material, the Group has 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 year end fuel price is as follows

As at	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 year end, applying the change indicated in the table, and projecting this over the life of the contract assuming all other variables remain equal.

The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below.

Currency risk

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

In relation to translation risk, this is not considered material to the business as amounts owed in foreign currency are short term of up to 30 days and are of a relatively modest nature. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts.

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

Approach to hedge accounting

As part of the Group'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 Group 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 Group 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.

If the Group 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 consolidated 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 Group's profit before tax and other comprehensive income (net of tax) is largely due to changes in the fair value of our foreign exchange derivatives and revaluation of creditors and deposits held on account with our US Dollar suppliers.

As at	Change in USD rate	30 March 2019 £'000	31 March 2018 £'000
Effect on profit before tax	+2.5%	(4,648)	(588)
	-2.5%	4,886	618
Effect on other comprehensive income	+2.5%	(7,976)	(10,150)
	-2.5%	8,385	10,671

The following table demonstrates the sensitivity (net of tax) to a reasonably possible change in the Euro period end exchange rates with all other variables held constant. The effect on other comprehensive income is due to the foreign exchange reserve on retranslation of the Group's subsidiaries that have the Euro as a functional currency.

As at	Change in Euro rate	30 March 2019 £'000	31 March 2018 £'000
Effect on profit before tax	+2.5%	(418)	18
	-2.5%	440	(19)
Effect on other comprehensive income	+2.5%	(2,969)	(2,012)
	-2.5%	3,121	2,115

These calculations have been performed by taking the year end translation rate used on the accounts and applying the change noted above. The balance sheet valuations are then directly calculated. The valuation of the foreign exchange derivatives are projected based upon the spot rate changing and all other variables being held equal.

Interest rate risk

Interest rate risk is the risk of variability of the Group cash flows due to changes in the interest rate. The Group is exposed to changes in interest rates as the Group's bank borrowings are subject to a floating rate based on LIBOR.

The Group's interest rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's exposure to interest rate fluctuations is not considered to be material, however the Group has in the past used interest rate swaps to minimise the impact.

If LIBOR interest rates had been 50 basis points higher/lower throughout the year with all other variables held constant, the effect upon calculated pre-tax profit for the year would have been:

As at	Basis point increase/decrease	30 March 2019 £'000	31 March 2018 £'000
Effect on profit before tax	+50	(1,754)	(1,716)
	-50	1,754	1,716

This sensitivity has been calculated by changing the interest rate for each interest payment and accrual made by the Group over the period, by the amount specified in the table above, and then calculating the difference that would have been required.

The Group also has a very limited exposure to EURIBOR via the loans held by Babou, see note 21, however this is considered immaterial for disclosure.

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 Group'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 Group'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.

Notes to the consolidated financial statements continued

27 Financial risk management continued

Liquidity risk

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

The Group's borrowings are subject to quarterly banking covenants against which the Group has had significant headroom to date with no anticipated issues based upon forecasts made. Short term flexibility is achieved via the Group's rolling credit facility. The following table shows the liquidity risk maturity of financial liabilities grouping based on their remaining period at the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows:

	Within 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
30 March 2019					
Interest bearing loans	149,759	23,715	576,083	1,243	750,800
Forward foreign exchange contracts	1,647	–	–	–	1,647
Trade payables	310,150	–	–	–	310,150
Deferred consideration (Heron)	12,084	–	–	–	12,084
31 March 2018					
Interest bearing loans	66,273	21,109	587,778	2,099	677,259
Forward foreign exchange contracts	16,666	–	–	–	16,666
Trade payables	276,569	–	–	–	276,569
Call/put option (Jawoll)	–	9,637	–	–	9,637
Deferred consideration (Heron)	–	12,800	–	–	12,800

Fair value

The fair value of the financial assets and liabilities of the group 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.

As at	30 March 2019 £'000	31 March 2018 £'000
Financial assets		
Fair value through profit and loss		
Forward foreign exchange contracts	2,383	–
Fuel price swap	127	–
Fair value through other comprehensive income		
Forward foreign exchange contracts	3,784	–
Loans and receivables		
Cash and cash equivalents	86,202	90,816
Trade receivables	23,205	5,046
Other receivables	5,226	1,324
Financial liabilities		
Fair value through profit and loss		
Forward foreign exchange contracts	535	923
Put/call options over the non-controlling interest of Jawoll	–	8,076
Deferred consideration in relation to the purchase of Heron	12,084	11,133
Fair value through other comprehensive income		
Forward foreign exchange contracts	1,112	15,743
Amortised cost		
Overdraft	5,646	6,112
Interest-bearing loans and borrowings	687,213	603,426
Trade payables	310,150	276,569
Other payables	7,370	7,796

28 Related party transactions

The Group has transacted with the following related parties over the periods:

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, Rani Investments and Multi Lines International (Properties) Ltd, all landlords of properties occupied by the Group, and SSA Investments the beneficial owners of equipment hired to the Group are directly or indirectly owned by director Simon Arora, his family, or his family trusts (together, the Arora related parties).

David Heuck, a director of Heron is the landlord of a property occupied by the Group (Comprising the Heron related parties).

Jawoll Immobilien GmbH, Stern Grundstück Entwicklungs GmbH, DS Grundstücks GmbH and Silke Stern are all landlords of properties occupied by the Group and are related by virtue of connection to a shareholder of J.A.Woll-Handels GmbH (together, the German related parties). These were considered a related party as the shareholder was also a member of key management. However they left the business in the prior year and as such these entities are no longer considered related parties of the Group.

The following table sets out the total amount of trading transactions with related parties included in the statement of comprehensive income, including the P&L impact of any finance leases;

Period ended	30 March 2019 £'000	31 March 2018 £'000
Sales to associates of the Group		
Centz Retail Holdings Limited	8,858	–
Home Focus Group Limited	2,180	2,408
Total sales to related parties	11,038	2,408
Purchases from associates of the Group		
Multi-lines International Company Ltd	141,015	146,360
Purchases from parties related to key management personnel		
Multi-Lines International (Properties) Ltd	410	151
David Heuck	43	28
DS Grundstücks GmbH	–	794
Jawoll Immobilien GmbH	–	550
Rani Investments	129	194
Ropley Properties Ltd	2,996	2,976
Silke Stern	–	157
Stern Grundstück Entwicklungs	–	620
SSA Investments	44	–
TJL UK Ltd	823	675
Triple Jersey Ltd	13,083	12,666
Total purchases from related parties	158,543	165,171

Included in the current year figures above are four new leases (three stores) and five renewals of existing stores, entered into by Group companies during the current period with the Arora related parties (2018: six new stores and two renewals). The total expense on these leases in the period was £1,412k (2017: £1,778k). There was also one conditionally exchanged lease with Arora related parties in the current period with a long stop completion date (2018: four), and no expense is incurred on this lease until it is completed.

Notes to the consolidated financial statements continued

28 Related party transactions continued

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

As at	30 March 2019 £'000	31 March 2018 £'000
Trade receivables from associates of the Group		
Centz Retail Holdings Ltd	2,045	–
Home Focus Group Ltd	143	316
Multi-lines International Company Ltd	10,891	94
Total related party trade receivables	13,079	410
Trade payables to associates of the Group		
Multi-lines International Company Ltd	1,933	9,680
Trade payables to companies owned by key management personnel		
Rani Investments	26	40
Ropley Properties Ltd	655	643
TJL UK Ltd	–	3
Triple Jersey Ltd	623	1,979
Total related party trade payables	3,237	12,345

Outstanding trade balances at the balance sheet dates 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 30 March 2019 (2018: no impairment). 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 future operating lease commitments on the Arora related party properties are;

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

The future operating lease commitments on the German related party properties were (note these are no longer considered to be related parties);

As at	30 March 2019 £'000	31 March 2018 £'000
Not later than one year	–	877
Later than one year and not later than five years	–	2,438
Later than five years	–	–
	–	3,315

The future operating lease commitments on the Heron related party properties are;

As at	30 March 2019 £'000	31 March 2018 £'000
Not later than one year	43	43
Later than one year and not later than five years	170	170
Later than five years	354	397
	567	610

Notes to the consolidated financial statements continued

30 Capital management

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

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. 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.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group uses the following definition of net debt:

External interest bearing loans and borrowings less cash and short-term deposits.

The interest bearing loans figure used is the gross amount of cash borrowed at that time, as opposed to the carrying value under the amortised cost method, and includes finance leases.

As at	30 March 2019 £'000	31 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

31 Effects of applying the new lease standard (IFRS 16)

The new leasing standard, IFRS 16, is applicable to the Group from 31 March 2019 and will be applied to the financial statements for all future periods. This 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 Group has undertaken an extensive exercise to prepare for the introduction of the new standard, including production of a model, and the figures stated below are subject to a full substantive audit of the inputs of the model.

In adopting IFRS 16, the Group has chosen to implement it using the fully retrospective approach which means that we will restate our prior year accounts to include adoption of the standard and the tables below show the effect as currently calculated on this year's accounts.

Although the impact of IFRS 16 on the statement of comprehensive income is large, IFRS 16 is essentially presentational 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.

The figures below are indicative and are subject to final refinement of the key assumptions below and full substantive audit of the inputs to the model, the model itself and the judgments made by management over areas such as the appropriate lease term and selection of discount rates.

The figures have currently been produced based upon a lease term that is equivalent to the lease term used in our lease commitment disclosure (note 25) and discount rates based upon the external rate of borrowing available to the Group with adjustments made for inputs such as lease term, type of store, operating segment and regionality. The weighted average discount rate in the following is 5.2%.

The following indicative figures exclude the effect of:

- Finance Leases
 - For which the net effect is expected to be minor and for which the current interest, depreciation and net book value can be seen in notes 5, 6 and 15.
- Favourable and unfavourable leases
 - The effect of which is expected to be directly additive to the right of use asset and liabilities recognised, with no change to the P&L effect. The balances on these can be seen in notes 17 and 19.
- Leases which are out of contract, including those from which the Group continues to trade, and leases which are out of scope.
 - No assumption has currently been made regarding lease renewal other than where there is a contractual obligation to renew.
- Tax
 - A large deferred tax asset is expected to arise originating from the brought forward debit in the profit and loss reserves. This is realisable as contracts unwind since the final contractual position is net nil once expired.
 - In terms of tax cash flow, B&M Retail's initial brought forward debit will unwind over the average length of lease to which it relates, whilst it is tax neutral elsewhere as no other local accounts will adopt it.

Effect on the financial statements

Under the current assumptions and with the caveats outlined above, the Group's estimated right of use assets would be in the region of £1.0bn and our lease liability in the region of £1.1bn as at 30 March 2019.

The rental charge going through operational costs at present will be excluded and replaced by the amortisation of the right of use asset and an interest charge on the unwinding of the lease liability.

This means that profit before interest and tax will be higher than currently reported, as will EBITDA (see note 3). Profit before tax could either increase or decrease, although with a typically young lease estate the overall effect will be to reduce profit, as reflected below.

	52 weeks to 30 March 2019 £'m
Recognised Balances	
Amortisation on right-of-use lease assets	126
Interest charge on lease liabilities	55
	181
Derecognised Balances	
Rental charge	167
Net effects	
Net credit to Profit before interest and taxation	41
Net debit to Profit before tax	14
Net credit to EBITDA (see note 3)	167

Over the full life of each individual lease the full profit or loss impact is the same under both the old and new accounting standards.

Cash flow in relation to rent is no longer considered to be an operational cash flow, and the relevant cash flows will be reclassified to financing activities and split between capital and interest.

Sensitivity of the discount rate

Where a leased asset does not have a known implicit rate of interest (as in most cases) the discount rate is calculated using the marginal rate of borrowing available to the company for a similar asset over a similar timescale.

This is a calculation based on several inputs, including the start date, the underlying cost of borrowing of the company, length of the lease, the type of location in which a store is located and geography.

Whilst these inputs are not judgmental in themselves, how they impact on the discount rate selected is a matter of significant management judgment, and as such the calculation is sensitive to this process.

The below table shows the effects based upon a 50bps movement to the discount rate across the estate of assets which do not have a known implicit rate;

	+50bps £'m	-50bps £'m
<i>Debits shown as positive</i>		
Amortisation charge	(3)	3
Interest charge	4	(4)
Right-of-use asset	(24)	30
Lease liability	23	(28)

Notes to the consolidated financial statements continued

32 Post balance sheet events

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

33 Dividends

An interim dividend of 2.7 pence per share (£27.0m) was paid in December 2018

A final dividend of 4.9 pence per share (£49.0m), giving a full year dividend of 7.6 pence per share (£76.0m), is proposed

Relating to the prior year:

An interim dividend of 2.4 pence per share (£24.0m) was paid in December 2017.

A final dividend of 4.8 pence per share (£48.0m), giving a full year dividend of 7.2 pence per share (£72.0m), was paid in August 2018.

34 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.

As at 31 March 2018 and 30 March 2019, Heron Food Group Limited and Heron Foods Ltd are guarantors to the loans which are formally held within Heron Foods Ltd. The amount outstanding at the year end was £13m (2018: £16m) with the balance held in Heron Foods Ltd.

35 Directors

The directors that served during the period were:

Name

Peter Bamford

S Arora (CEO)

P McDonald (CFO)

T Hübner (see note below)

R McMillan

K Guion

H Brouwer (retired 14 November 2018)

T Hall (appointed 18 September 2018)

C Bradley (appointed 15 November 2018)

All directors served for the whole period except where indicated above.

As announced on 7 February 2019, Thomas Hübner retired from the board on 1 May 2019.

Independent Auditor's Report

To the Shareholders of B&M European Value Retail S.A. 9, allée Scheffer L-2520 Luxembourg

Report of the Réviseur d'Entreprises agréé

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of B&M European Value Retail S.A. (the "Company"), which comprise the balance sheet as at 31 March 2019, and the profit and loss account for the year then ended, and the notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 March 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the Corporate Governance Statement but does not include the annual accounts and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for assessing the Company's financial reporting process.

Independent Auditor's Report

To the Shareholders of B&M European Value Retail S.A. 9, allée Scheffer L-2520 Luxembourg
continued

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on 30 July 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

The management report on pages 62 to 66 of the Annual Report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 40 to 47 of the Annual Report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, 22 May 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé
Thierry Rivasio

Company balance sheet

As at 31 March 2019

	Notes	31 March 2019 GBP	31 March 2018 GBP
ASSETS			
FIXED ASSETS			
Tangible assets			
Other fixtures and fittings, tools and equipment		–	8,262
Financial assets	3	2,624,999,999	2,624,999,999
Shares in affiliated undertakings			
		2,624,999,999	2,625,008,261
CURRENT ASSETS			
Debtors			
Amounts owed by affiliated undertakings	4	301,620,884	302,080,659
<i>becoming due and payable within one year</i>			
Other debtors	5	334,909	199,330
<i>becoming due and payable within one year</i>			
		301,955,794	302,279,989
Cash at bank and in hand		41,301	42,647
TOTAL ASSETS		2,926,997,095	2,927,330,897
CAPITAL, RESERVES AND LIABILITIES			
CAPITAL AND RESERVES			
Subscribed capital	6	100,056,122	100,056,122
Share premium account		2,473,745,635	2,473,745,635
Reserves			
Legal reserve		10,010,000	10,000,000
Profit or loss for the financial year		74,156,816	76,538,619
Profit or loss brought forward		42,401,722	37,913,334
Interim dividends		(27,015,153)	(24,013,293)
Total capital and reserves		2,673,355,142	2,674,240,417
CREDITORS			
Debtors			
Non-convertible loans			
<i>becoming due and payable within one year</i>		1,718,750	1,718,750
<i>becoming due and payable after more than one year</i>		250,000,000	250,000,000
		251,718,750	251,718,750
Trade creditors			
<i>becoming due and payable within one year</i>		143,299	120,869
Amounts owed to affiliated undertakings			
<i>becoming due and payable within one year</i>		1,706,997	1,163,957
Other creditors			
Tax authorities		20,176	25,929
Social security authorities		–	–
Other creditors			
<i>becoming due and payable within one year</i>		52,730	60,975
		1,923,202	1,371,730
TOTAL CAPITAL, RESERVES AND LIABILITIES		2,926,997,095	2,927,330,897

The accompanying notes form an integral part of these annual accounts.

Company profit and loss account for the financial year ended 31 March 2019

	Notes	31 March 2019 GBP	31 March 2018 GBP
Raw materials and consumables and other external expenses			
Other external expenses	8	(1,179,071)	(1,001,579)
Staff costs	9		
Wages and salaries		(347,082)	(226,304)
Social security costs			
<i>relating to pensions</i>		(21,546)	(16,769)
<i>other social security costs</i>		(12,482)	(9,810)
Value adjustments			
In respect of formation expenses and of tangible and intangible assets		(2,951)	(3,541)
Other operating expenses	10	(732,424)	(551,327)
Income from participating interests	11		
Derived from affiliated undertakings		76,000,000	78,000,000
Other interest receivable and similar income	12		
Derived from affiliated undertakings		10,725,046	10,829,043
Other interest and similar income		94,792	33,106
Interest payable and similar expenses	13		
Other interest and similar expenses		(10,363,335)	(10,382,568)
Tax on profit or loss	14	–	(7,305)
Profit or loss after taxation		74,160,948	76,662,946
Other taxes not included in the previous caption	14	(4,133)	(124,327)
Profit or loss for the financial year		74,156,816	76,538,619

The accompanying notes form an integral part of these annual accounts.

Notes to the annual accounts for the financial year ended 31 March 2019

Note 1 – General information

B&M European Value Retail S.A., hereinafter the “Company”, was incorporated on 19 May 2014 as a “société anonyme” for an unlimited period. The Company is organised under the laws of Luxembourg, in particular the law of 10 August 1915 on commercial companies, as amended. An Extraordinary General Meeting of Shareholders was held on 30 July 2018 to update the “Articles of Association” (the “Articles”) further to the changes brought to the law of 10 August 1915 on commercial companies by the law of 10 August 2016 on the modernisation on the law of commercial companies.

The registered office of the Company is established in Luxembourg City and is registered with the Luxembourg Trade and Companies register in Luxembourg under number B 187 275.

The financial year starts on 1 April 2018 and ends on 31 March 2019.

The main purpose of the Company is to act as an investment holding company and to coordinate the business of any corporate bodies in which the Company is for the time being directly or indirectly interested and to acquire (whether by original subscription, tender, purchase, exchange or otherwise) the whole or any part of the stock, shares, debentures, debenture stocks, bonds and other securities issued or guaranteed by any person and any other asset of any kind and to hold the same as investments, and to sell, exchange and dispose of the same.

The Company also prepares consolidated financial statements, which are published according to the provisions of the law.

The Company is registered with the Luxembourg Stock Exchange and as such subject to the supervision of the CSSF (Commission de Surveillance du Secteur Financier) and its shares are listed on the premium listing segment of the London Stock Exchange under the symbol “BME”.

Note 2 – Summary of significant accounting policies and valuation methods

Basis of preparation

These annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002, as subsequently amended (the “Law”), determined and applied by the directors of the Company (the “Board of Directors”).

These accounts have been prepared on a going concern basis.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting policies and valuation methods

The main accounting policies and valuation rules applied by the Company are the following:

Tangible assets

Tangible assets are valued at purchase price including the expenses incidental thereto. Tangible assets are depreciated over their estimated useful economic lives.

The depreciation rates and methods applied are as follows:

	Rate of depreciation	Depreciation method
Company vehicle	20.00%	Straight line

Where the Company considers that a tangible asset has suffered a durable depreciation in value, an additional write-down is recorded in order to reflect this loss. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

Notes to the annual accounts continued for the financial year ended 31 March 2019

Financial assets

Shares in affiliated undertaking are valued at purchase price including the expenses incidental thereto.

In the case of durable depreciation in value according to the opinion of the Board of Directors, value adjustments are made in respect of financial assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Foreign currency translation

The Company maintains its accounting records in Pounds sterling (GBP) and the balance sheet and the profit and loss accounts are expressed in this currency.

Transactions expressed in currencies other than GBP are translated into GBP at the exchange rate effective at the time of the transaction.

Long term non-monetary assets expressed in currencies other than GBP are translated into GBP at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain converted using the exchange rate at the time of the transaction (the "historical exchange rate").

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The realised and unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date at which they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date at which they will arise.

Provision for taxation

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption "Tax authorities". The advance payments are shown in the assets of the balance sheet under the caption "Other debtors", if applicable.

Creditors

Creditors are stated as their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown in the profit and loss account when the debt is issued.

Issuance costs

Issuance costs are expensed through the profit and loss account at the time that they are incurred. This is considered to be the date on which the relevant issuance is legally performed.

Note 3 – Financial assets

The undertaking in which the Company holds interests in its share capital is as follows:

Undertaking's name	Registered office	Percentage of holding	Net equity	Net result for the	Net book value
			as at 31 March 2019 GBP	financial year ended 31 March 2019 GBP	as at 31 March 2019 GBP
B&M EVR 1*	Luxembourg	100%	646,871,429	76,033,355	2,624,999,999

* B&M EVR 1 refers to B&M European Value Retail 1 S.à.r.l.

As at the balance sheet date, the Board of Directors assessed the valuation of the underlying operations and concluded that no value adjustment is deemed necessary on the investment.

The B&M EVR 1 accounts have yet to be approved by their Directors.

In March 2019 an interim dividend of 76m GBP was declared by B&M EVR 1 (booked as dividend receivable as at 31 March 2019, see also note 4).

Note 4 – Amounts owed by affiliated undertakings

	March 2019 GBP	March 2018 GBP
<i>becoming due and payable within one year:</i>		
B&M European Value Retail Holdco 4 Ltd. ("B&M Holdco 4")	225,620,884	247,080,641
B&M European Value Retail 2 S.à.r.l. ("B&M EVR 2")	–	18
B&M EVR 1 – Dividend receivable (Note 11)	76,000,000	55,000,000
Total	301,620,884	302,080,659

The amounts owed by B&M Holdco 4 are interest bearing (Note 12) and payable on demand. The amounts owed by B&M EVR 1 & 2 are non-interest bearing and payable on demand. Where interest is calculated it has been done on an arm's length basis.

Note 5 – Other debtors

	March 2019 GBP	March 2018 GBP
<i>becoming due and payable within one year:</i>		
Prepaid VAT	282,500	158,998
Prepaid income and net wealth taxes	3,195	–
Other advances	49,214	40,332
Total	334,909	199,330

Note 6 – Capital and reserves

Subscribed capital and share premium account

As 31 March 2019, the share capital is set at GBP 100,056,122.20 divided into 1,000,561,222 ordinary shares with a nominal value of GBP 0.10 each and the un-issued but authorised share capital is set at GBP 297,222,222.20. The Company's share capital is represented by only one class of (ordinary) shares.

During the prior financial year, share options reported under the annual accounts as at 31 March 2017 as off balance sheet commitments have been exercised and the Board of Directors acting on the basis of article 5.2 of the Articles and within the frame of the authorised share capital clause, issued in aggregate, 561,222 new ordinary shares of 10 pence each in relation to share options exercised by employees and directors of the Group. The Articles have been updated accordingly. No share options have been exercised during the current financial year.

Movements for the period on the reserves and profit/loss captions are as follows:

	Share premium and similar premiums GBP	Legal reserve GBP	Profit or loss brought forward GBP	Profit for the financial period GBP	Interim dividends GBP	Total GBP
As at the beginning of the financial year	2,473,745,635	10,000,000	37,913,334	76,538,619	(24,013,293)	2,574,184,295
Allocation of prior period's result	–	–	76,538,619	(76,538,619)	–	–
Allocation of legal reserve	–	10,000	(10,000)	–	–	–
Proceeds rec. from share options	–	–	–	–	–	–
Allocation of dividends	–	–	(24,013,293)	–	24,013,293	–
Final dividend	–	–	(48,026,939)	–	–	(48,026,939)
Interim dividends	–	–	–	–	(27,015,153)	(27,015,153)
Profit for the financial year	–	–	–	74,156,816	–	74,156,816
As at the end of the financial year	2,473,745,635	10,010,000	42,401,722	74,156,816	(27,015,153)	2,573,299,019

On 12 November 2018 the Board of Directors unanimously approved the distribution of an interim dividend of 2.7p per ordinary share, being a total aggregate distribution of GBP 27,015,153 paid by the company in December 2018.

Legal reserve

In accordance with article 710-23 of the Luxembourg company law dated 10 August 1915, as amended, the Company is required to allocate to a legal reserve a minimum of 5% of its annual net profit until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Notes to the annual accounts continued
for the financial year ended 31 March 2019

Note 7 – Creditors

Amounts due and payable for the accounts shown under “Debtenture loans” are as follows:

	Within one year GBP	After one year and within five years GBP	After more than five years GBP	March 2019 GBP	March 2018 GBP
Debtenture Loans					
Non convertible loans – Bonds interest	1,718,750	–	–	1,718,750	1,718,750
Non convertible loans – Bonds principal	–	250,000,000	–	250,000,000	250,000,000
	1,718,750	250,000,000	–	251,718,750	251,718,750

On 2 February 2017, the Company issued GBP 250,000,000 4.125% Senior Secured Notes (herein after referred to as the “Bonds”) which are due on 1 February 2022. Interest on the Notes is paid semi-annually in arrears on 1 February and 1 August of each year, commencing on 1 August 2017. The Bonds are listed for trading on the Euro MTF market of the Luxembourg Stock Exchange. The Euro MTF Market of the Luxembourg Stock Exchange is not a regulated market pursuant to the provisions of Directive 2004/39/EC on markets in financial instruments. The Euro MTF Market falls within the scope of Regulation (EC) 596/2014 on market abuse and the related Directive 2014/57/EU on criminal sanctions for market abuse.

The Company may redeem the Bonds in whole or in part at any time on or after 1 February 2019, in each case, at the redemption prices set out in the Offering Circular.

Additionally, the Company may redeem the Bonds in whole, but not in part, at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control, the Company may be required to repurchase all or any portion of the Bonds at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of such repurchase.

The Bonds are senior obligations of the Company, guaranteed on a senior basis by its various affiliated companies.

Other amounts due and payable for the accounts shown under “Creditors” are as follows:

	Within one year GBP	After one year within five years GBP	After more than five years GBP	March 2019 GBP	March 2018 GBP
Trade creditors					
Suppliers	57,986	–	–	57,986	62,475
Suppliers – Invoices not yet received (Note 7.1)	85,314	–	–	85,314	58,394
	143,299	–	–	143,299	120,869
Amounts owed to affiliated undertakings					
B&M EVR 2	1,706,997	–	–	1,706,997	1,163,957
Other creditors					
Tax authorities					
Corporate income tax	2,541	–	–	2,541	2,541
Net wealth tax	8,353	–	–	8,353	4,220
Other taxes	9,283	–	–	9,283	19,168
Other creditors	52,730	–	–	52,730	60,975
	72,906	–	–	72,906	86,904
Total				1,923,202	1,371,730

Note 7.1 – Suppliers-invoices not yet received balance during the financial year ended 31 March 2019 relates mostly to audit fees accrued.

Note 8 – Raw materials and consumables and other external expenses

	March 2019 GBP	March 2018 GBP
Other external expenses		
Transaction costs for bond issuance (Note 7)	–	(189,680)
Advisory and consultancy fees	94,467	27,952
Marketing, communication and travel expenses	265,744	213,826
Staff recruitment expenses	137,829	71,356
Accounting and administrative fees	196,452	235,631
Audit fees	111,041	82,172
Government regulatory fees	79,448	87,719
Stock exchange fees	119,647	95,855
Rentals	49,177	49,310
Repairs and maintenance	10,973	14,536
Others	114,293	312,902
Total	1,179,071	1,001,579

Note 9 – Staff costs

As at 31 March 2019, the Company employed one part time employee and two full time employees. (2018: one part time and three full time)

Note 10 – Other operating expenses

	March 2019 GBP	March 2018 GBP
Director fees	590,025	296,356
Non-deductible VAT	141,867	254,472
Others	532	499
Total	732,424	551,327

Note 11 – Income from participating interests

	March 2019 GBP	March 2018 GBP
Derived from affiliated undertakings:		
Dividend income (Note 11.1)	76,000,000	78,000,000
Total	76,000,000	78,000,000

Note 11.1 – Dividend income relates to dividends distributed by B&M EVR 1.

Note 12 – Other interest receivable and similar income

	March 2019 GBP	March 2018 GBP
Derived from affiliated undertakings (Note 12.1)		
Interest recharge	10,725,046	10,829,043
	10,725,046	10,829,043
Other interest and similar income		
Realised foreign exchange gain	94,792	24,439
Other income	–	8,667
	94,792	33,106
Total	10,819,838	10,862,149

Note 12.1 – The Company and its UK and Luxembourg affiliates have entered into a Management Services Agreement (“MSA 1”). Included in the provisions of this agreement was the right for the Company to charge or be charged interest on any intercompany balances held with affiliates outside of Luxembourg (an “Interest recharge”). The basis for the interest recharge is the outstanding balance per management accounts at the start and end of each month, and the marginal external rate of borrowing available to the Group as reviewed by management on an at least six monthly basis.

Notes to the annual accounts continued for the financial year ended 31 March 2019

Note 13 – Interest payable and similar expenses

	March 2019 GBP	March 2018 GBP
Other interest and similar expenses:		
Interest expense on bonds payable (Note 7)	10,312,500	10,283,850
Realised foreign exchange loss	49,596	98,718
Others	1,239	–
Total	10,363,335	10,382,568

Note 14 – Taxation

The Company is subject to the general tax regulation applicable to all Luxembourg commercial companies.

Note 15 – Off balance sheet commitments and contingencies

As at the balance sheet date, the Company has financial commitments relating to: i) share option plans; and ii) pledge agreements. The nature and the commercial objective of the operations not disclosed on the balance sheet can be described as follows:

Note 15.1 – Share option plans

The Company operates the following share option plans. The details of which are as follows:

- (1) The B&M European Value Retail S.A. Tax Advantaged and non-tax advantaged Company Share Option Plans (CSOPs), starting (i) 1/8/14 (ii) 17/12/15 (iii) 19/8/16
- (2) The B&M European Value Retail S.A. Long Term Incentive Plan 2015 (LTIP 2015).
- (3) The B&M European Value Retail S.A. Long Term Incentive Plan 2016 (LTIP 2016).
- (4) The B&M European Value Retail S.A. Long Term Incentive Plan 2017, split into four; (i) LTIP 2017A (ii) LTIP 2017B1 (iii) LTIP 2017B2 (iv) LTIP2018B1
- (5) The B&M European Value Retail S.A. Long Term Incentive Plan 2018, split into two; (i) LTIP 2018A (ii) LTIP 2018B2

CSOPs

The CSOP schemes are market-value options with a non-market performance condition. They vest after a period of three years.

The options were valued using a black/scholes model or based upon the consensus position of the B&M share price for the smaller awards.

Scheme	Date of Grant	Date of Vesting	Exercise Price	Fair value of Option GBP	Number of options outstanding at 31 March 2018	Number of options granted/ (forfeited or lapsed) in the year	Number of options exercised in the year	Number of options outstanding at 31 March 2019
CSOP (1/8/14)	1 Aug 2014	1 Aug 2017	271.5p	0.83	11,049	0	0	11,049
CSOP (17/12/15)	17 Dec 2015	17 Dec 2018	286.0p	0.79	10,489	(10,489)	0	0
CSOP (19/8/16)	19 Aug 2016	19 Aug 2019	276.8p	0.50	21,676	0	0	21,676

CSOP (1/8/14) has fully vested. CSOP (17/12/15) vested but was subsequently lapsed and has now completed.

LTIPs

These awards are ordinary shares subject to a mixture of market based and non-market based performance conditions. They vest after a period of three years.

LTIP 2015, LTIP 2016, LTIP 2017A and LTIP 2018A have been separated into two tranches based upon the conditions required for vesting, as the two tranches were calculated to have separately identifiable and different fair values. The tranches are labelled "TSR" and "EPS" as the relevant key performance conditions are based upon total shareholder return and earnings per share. These LTIP schemes also have a holding period of two years after the shares have vested. The other LTIP schemes do not have this feature.

The LTIP 2018 schemes and all subsequent LTIP schemes awarded, except LTIP 2018B1 have additional options granted to holders for each dividend paid by the company whilst the options are held. These dividend grants are equivalent to the amount of new shares they could have bought with the dividend that would have been due to them had they held the actual shares.

LTIPs continued

The options were valued using a monte carlo method.

Scheme/Tranche	Date of Grant	Date of Vesting	Exercise Price	Fair value of Option GBP	Number of options outstanding at 31 March 2018	Number of options Granted/ (forfeited or lapsed) in the year	Number of options exercised in the year	Number of options outstanding at 31 March 2019
LTIP 2015/EPS	5 Aug 2015	5 Aug 2018	nil	3.41	40,616	(9,139)	0	31,477
LTIP 2015/TSR	5 Aug 2015	5 Aug 2018	nil	2.10	40,616	0	0	40,616
LTIP 2016/EPS	18 Aug 2016	18 Aug 2019	nil	2.54	122,386	0	0	122,386
LTIP 2016/TSR	18 Aug 2016	18 Aug 2019	nil	1.64	122,386	0	0	122,386
LTIP 2017A/EPS	7 Aug 2017	7 Aug 2020	nil	3.51	40,610	0	0	40,610
LTIP 2017A/TSR	7 Aug 2017	7 Aug 2020	nil	2.72	40,610	0	0	40,610
LTIP 2018A/EPS	22 Aug 2018	22 Aug 2021	nil	4.09	0	226,673	0	226,673
LTIP 2018A/TSR	22 Aug 2018	22 Aug 2021	nil	2.40	0	226,673	0	226,673
LTIP 2017B1	7 Aug 2017	7 Aug 2020	nil	3.61	271,891	(8,036)	0	263,855
LTIP 2017B2	14 Aug 2017	14 Aug 2020	nil	3.60	101,654	(8,025)	0	93,629
LTIP 2018B1	23 Jan 2018	23 Jan 2021	nil	4.00	19,264	(2,408)	0	16,856
LTIP 2018B2	20 Aug 2018	20 Aug 2021	nil	4.06	0	227,304	0	227,304

The LTIP 2015 awards have vested and are in a holding period.

Assumptions

The fair valuing exercise uses several assumptions, including those given in the table below.

Scheme/Tranche	Risk-free rate	Expected Life (years)	Volatility	Dividend Yield	Consensus (pence)
CSOP (1/8/14)	2.23%	6.5	N/A	0%	N/A
CSOP (17/12/15)	N/A	3	N/A	N/A	362.1
CSOP (19/8/16)	N/A	3	N/A	N/A	326.8
LTIP 2015/EPS	0.92%	5	24%	1%	N/A
LTIP 2015/TSR	0.92%	5	24%	1%	N/A
LTIP 2016/EPS	0.09%	5	26%	2%	N/A
LTIP 2016/TSR	0.09%	5	26%	2%	N/A
LTIP 2017A/EPS	0.52%	5	32%	1%	N/A
LTIP 2017A/TSR	0.52%	5	32%	1%	N/A
LTIP 2018A/EPS	0.97%	5	29%	0%	N/A
LTIP 2018A/TSR	0.97%	5	29%	0%	N/A
LTIP 2017B1	0.25%	3	32%	1%	N/A
LTIP 2017B2	0.25%	3	32%	1%	N/A
LTIP2018B1	0.25%	3	32%	1%	N/A
LTIP2018B2	0.25%	3	30%	0%	N/A

In accordance with Luxembourg GAAP, as long as the option holders have not exercised their rights, the related amounts are reported as off balance sheet commitments.

Note 15.2 – Pledge agreements

Pursuant to a share pledge agreement dated (and effective as of) 02 February 2017, all shares and related assets owned from time to time in B&M EVR 1 by the Company and, in particular, the 198,916,673 shares owned as of 31 March 2019 and including any shares acquired by the Company in the future and related assets, have been pledged in favour of Deutsche Bank AG, London Branch, as security agent, acting for itself and as security agent for and on behalf of the Secured Parties, in relation of the issuance of the Bonds (Note 7).

Notes to the annual accounts continued for the financial year ended 31 March 2019

Note 16 – Directors’ Emoluments

Director fees payable to the Independent Non-Executive Directors of the Company are paid in GBP on a quarterly basis (by reference to the civil year) and subject to withholding tax in Luxembourg at the rate of 20%.

The contractual emoluments granted to the members of the administrative managerial and supervisory bodies in that capacity are as follows:

	March 2019 GBP	March 2018 GBP
Director fees paid to the non-executive directors’ of the Group	534,432	297,500
	534,432	297,500

There were no obligations arising or entered into in respect of retirement pensions for former members of those bodies for the financial year.

There were no advances or loans granted during the financial year to the members of those bodies.

There are no pension obligations to members of those bodies.

There are no guarantees or direct substitutes granted or given of the members of those bodies

Note that the executive directors are remunerated through other Group companies.

Note 17 – Subsequent events

No other matters or circumstances of importance other than those already described in the present notes to the accounts have arisen since the end of the financial year which could have significantly affected or might significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2019 and signed on its behalf by:

Simon Arora
Chief Executive Officer

Paul McDonald
Chief Financial Officer

General information

Registered Office & Company Number

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Depository Interests Registrar

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Listing

Ordinary shares of B&M European Value Retail S.A. are listed with a premium listing on the London Stock Exchange.

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Notes

Notes

Notes



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